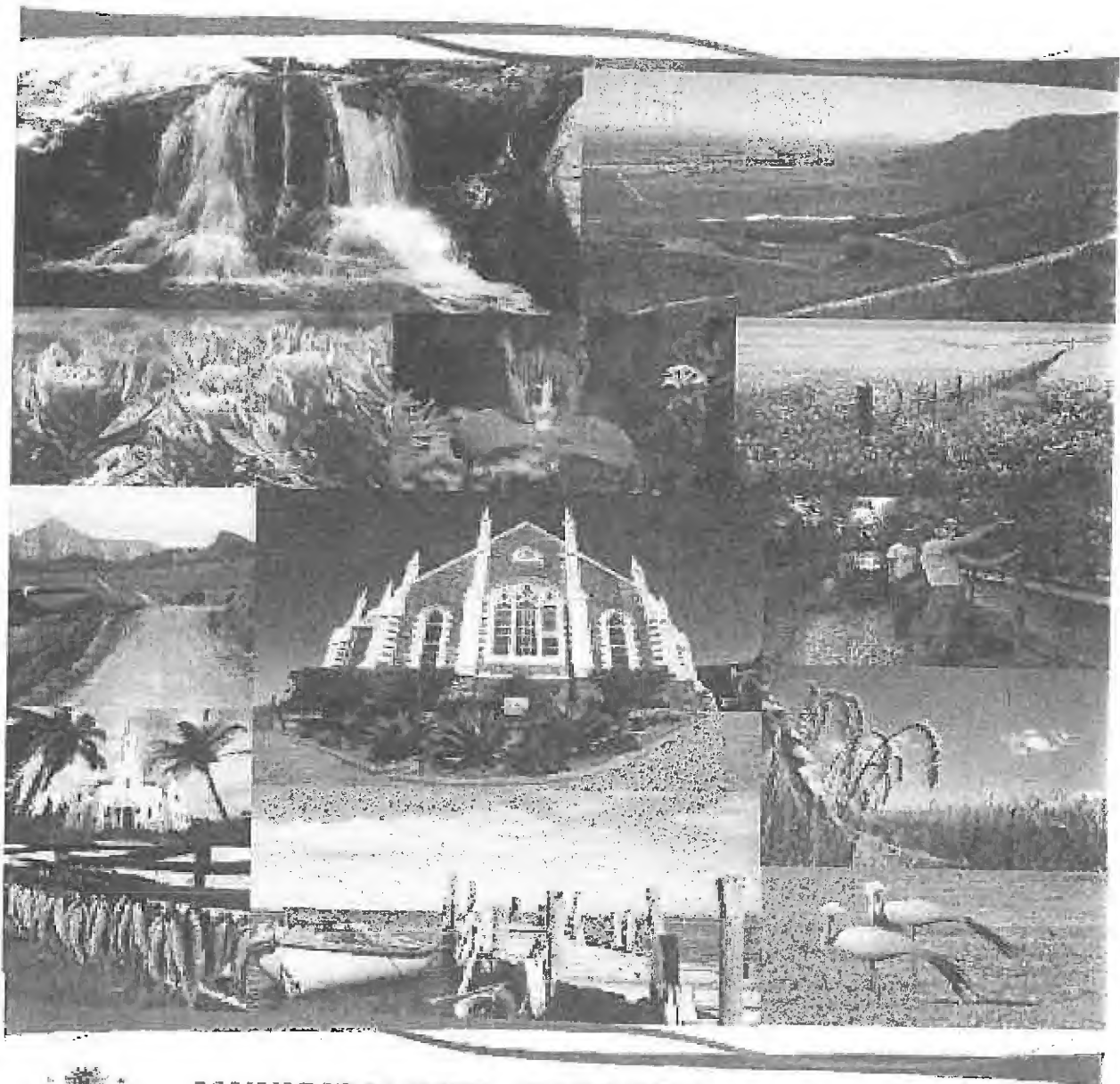


DRAFT ANNUAL REPORT

2016/17

VOLUME II



MUNISIPALITEIT - BERGRIVIER - MUNICIPALITY
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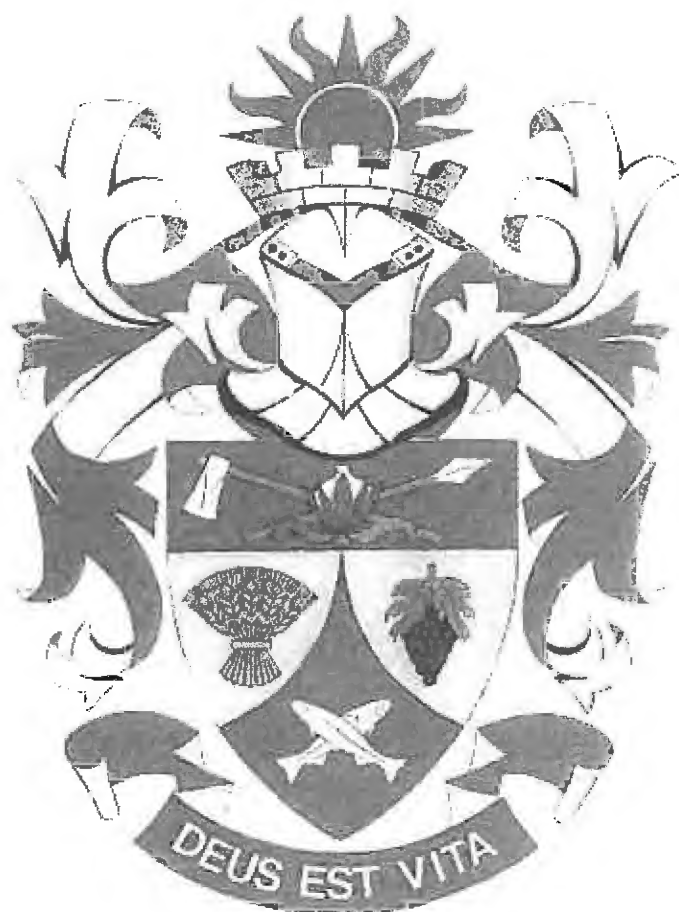
BERGRIVIER MUNICIPALITY

VOLUME II

AUDITED ANNUAL FINANCIAL STATEMENTS

2016/17

BERGRIVIER LOCAL MUNICIPALITY



AUDITED ANNUAL FINANCIAL STATEMENTS

30 JUNE 2017

BERGRIVIER LOCAL MUNICIPALITY

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BERGRIVIER LOCAL MUNICIPALITY

GENERAL INFORMATION

NATURE OF BUSINESS

Bergrivier Local Municipality performs the functions as set out in the Constitution of South Africa, 1996

LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Bergrivier Local Municipality includes the following areas:

| | | |
|-------------|--------------|--------------|
| Piketberg | Eendekuil | Aurora |
| Porterville | Redelinghuys | Wittewater |
| Velddrif | Dwarskersbos | Goedverwacht |

MEMBERS OF THE COUNCIL

| | | |
|--------------|------------------|-----------------------|
| Ward 1 | Cllr J Daniels | |
| Ward 2 | Cllr AJ Du Plooy | |
| Ward 3 | Ald A De Vries | |
| Ward 4 | Ald RM van Rooy | |
| Ward 5 | Ald JJ Josephus | (Deceased - May 2017) |
| Ward 6 | Cllr A Small | |
| Ward 7 | Ald SM Crafford | |
| Proportional | Ald EB Manuel | |
| Proportional | Cllr MA Wessels | |
| Proportional | Cllr SR Claassen | |
| Proportional | Ald SIJ Smit | |
| Proportional | Ald J Swart | |
| Proportional | Cllr SS Lesch | |

MEMBERS OF THE MAYORAL COMMITTEE

| | |
|------------------------|-----------------|
| Executive Mayor | Ald EB Manuel |
| Deputy Executive Mayor | Ald SM Crafford |
| Executive Councillor | Ald RM van Rooy |
| Executive Councillor | Cllr M Wessels |

MUNICIPAL MANAGER

Adv. H Linde

CHIEF FINANCIAL OFFICER

Mr GJ Goliath

AUDIT COMMITTEE

Mr S. Allie
Mr C. de Jager
Mr GN. Lawrence
Ms KE. Montgomery
Mr B. van Staaden

BERGRIVIER LOCAL MUNICIPALITY

GENERAL INFORMATION

REGISTERED OFFICE

13 Church Street
Piketberg

POSTAL ADDRESS

PO Box 60
Piketberg
7320

AUDITORS

Office of the Auditor General (WC)

PRINCIPLE BANKERS

ABSA Bank Limited

ATTORNEYS

De Villiers Van Zyl
Swemmer & Levin
Jacques Ehlers Prokureurs

RELEVANT LEGISLATION

Municipal Finance Management Act, (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act, (Act no 117 of 1998)
Municipal Systems Act, (Act no 32 of 2000) as Amended
Municipal Planning and Performance Management Regulations
Water Services Act, (Act no 108 of 1997)
Housing Act, (Act no 107 of 1997)
Municipal Property Rates Act, (Act no 6 of 2004)
Electricity Act, (Act no 41 of 1987)
Skills Development Levies Act, (Act no 9 of 1999)
Employment Equity Act, (Act no 55 of 1998)
Unemployment Insurance Act, (Act no 30 of 1966)
Basic Conditions of Employment Act, (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALGC Leave Regulations
Municipal Budget and Reporting Regulations
National Environmental Management Act, (Act 62 of 2008)
Preferential Procurement Policy Framework Act, (Act 5 of 2000)
Occupational Health and Safety Act, (Act 85 of 1993)
Public Office Bearers Act

BERGRIVIER LOCAL MUNICIPALITY

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

APPROVAL OF ACCOUNTING OFFICER

I am responsible for the preparation of these annual financial statements year ended 30 June 2017, which are set out on pages 1 to 78 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2018 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Adv. H. Linde
Municipal Manager

Date

31/8/17

BERGRIVIER LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

| | Notes | 2017 R (Actual) | 2016 R (Restated) |
|--|-------|-----------------------|-------------------------|
| ASSETS | | | |
| Current Assets | | 163 627 347 | 138 939 791 |
| Cash and Cash Equivalents | 2 | 82 080 490 | 65 659 520 |
| Receivables from Exchange Transactions | 3 | 46 437 958 | 39 650 460 |
| Receivables from Non-Exchange Transactions | 4 | 29 893 852 | 27 868 372 |
| Taxes | 5 | 977 292 | 998 051 |
| Operating Lease Asset | 6 | 62 129 | 75 601 |
| Current Portion of Long-term Receivables | 7 | 1 471 493 | 1 813 055 |
| Inventory | 8 | 2 704 134 | 2 874 733 |
| Non-Current Assets | | 356 919 374 | 348 911 347 |
| Long-term Receivables | 7 | 1 064 264 | 1 943 360 |
| Investment Property | 9 | 12 840 805 | 12 860 805 |
| Property, Plant and Equipment | 10 | 339 323 976 | 331 609 650 |
| Intangible Assets | 11 | 3 236 318 | 2 043 520 |
| Heritage Assets | 12 | 454 012 | 454 012 |
| Total Assets | | 520 546 720 | 487 851 138 |
| Current Liabilities | | | |
| | | 51 094 535 | 44 547 747 |
| Current Portion of Long-term Liabilities | 13 | 4 536 359 | 3 651 399 |
| Consumer Deposits | 14 | 3 281 104 | 3 149 235 |
| Payables from exchange transactions | 15 | 33 017 704 | 27 540 649 |
| Unspent Conditional Government Grants | 16 | 445 431 | 1 124 152 |
| Current Employee benefits | 17 | 9 813 937 | 9 082 312 |
| Non-Current Liabilities | | 151 644 885 | 147 682 123 |
| Long-term Liabilities | 13 | 50 268 008 | 48 401 248 |
| Employee benefits | 18 | 40 646 471 | 42 239 933 |
| Non-Current Provisions | 19 | 60 730 406 | 57 040 942 |
| Total Liabilities | | 202 739 420 | 192 229 870 |
| NET ASSETS | | 317 807 300 | 295 621 269 |
| COMMUNITY WEALTH | | | |
| Accumulated Surplus | | 299 851 987 | 279 886 195 |
| Capital Replacement Reserve | 20 | 17 561 500 | 15 230 500 |
| Housing Development Fund | 20 | 393 813 | 504 574 |
| | | 317 807 300 | 295 621 269 |

BERGRIVIER LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2017

| | Notes | 2017 R (Actual) | 2016 R (Restated) |
|---|-------|-----------------------|-------------------------|
| REVENUE | | | |
| REVENUE FROM NON-EXCHANGE TRANSACTIONS | | 127 836 105 | 122 581 843 |
| Taxation Revenue | | 56 638 655 | 52 508 447 |
| Property Rates | 21 | 56 638 655 | 52 508 447 |
| Transfer Revenue | | 54 915 042 | 62 350 534 |
| Government Grants and Subsidies - Operating | 22 | 42 606 968 | 42 690 962 |
| Government Grants and Subsidies - Capital | 22 | 12 308 074 | 19 659 572 |
| Other Revenue | | 16 282 408 | 7 722 862 |
| Insurance Receipts | | 162 797 | 7 148 |
| Fines | 23 | 9 779 747 | 7 446 785 |
| Actuarial Gains | 24 | 6 339 864 | 268 929 |
| REVENUE FROM EXCHANGE TRANSACTIONS | | 171 337 665 | 158 514 944 |
| Operating Activities | | 171 337 665 | 158 514 944 |
| Service Charges | 25 | 149 525 885 | 140 151 881 |
| Rental of Facilities and Equipment | 26 | 4 954 106 | 4 291 825 |
| Interest Earned - external investments | | 5 819 571 | 4 296 966 |
| Interest Earned - outstanding debtors | | 4 268 050 | 3 776 001 |
| Agency Services | | 2 340 077 | 2 199 847 |
| Licences and Permits | 27 | 1 530 223 | 1 219 081 |
| Other Income | 28 | 2 899 754 | 2 510 796 |
| Gain on disposal of Non-Monetary Assets | 39 | - | 68 548 |
| TOTAL REVENUE | | 299 173 770 | 281 096 787 |
| EXPENDITURE | | | |
| Employee Related Costs | 29 | 102 241 763 | 95 281 118 |
| Remuneration of Councillors | 30 | 5 358 968 | 5 281 515 |
| Debt Impairment | 31 | 12 789 307 | 8 173 994 |
| Depreciation and Amortisation | 32 | 19 372 439 | 17 513 800 |
| Repairs and Maintenance | 33 | - | - |
| Actuarial Losses | 34 | - | 885 426 |
| Finance Charges | 35 | 12 662 376 | 11 582 399 |
| Bulk Purchases | 36 | 80 493 562 | 73 029 500 |
| Transfers and Grants | 37 | 3 550 890 | 3 214 250 |
| Other Expenditure | 38 | 40 455 363 | 39 140 739 |
| Loss on disposal of Non-Monetary Assets | 39 | 63 071 | - |
| TOTAL EXPENDITURE | | 276 987 740 | 254 102 741 |
| NET SURPLUS FOR THE YEAR | | 22 186 030 | 26 994 046 |

BERGRIVIER LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDING 30 JUNE 2017

| | CAPITAL REPLACEMENT RESERVE R | HOUSING DEVELOPMENT FUND R | ACCUMULATED SURPLUS R | TOTAL R |
|--|--|-------------------------------------|-----------------------------|--------------------|
| Balance on 30 June 2015 - Previously Reported | 12 172 050 | 551 987 | 256 182 139 | 268 906 176 |
| Correction of error restatement - refer to note 40.7 | - | - | (278 955) | (278 955) |
| Balance on 30 June 2015 - Restated | 12 172 050 | 551 987 | 255 903 184 | 268 627 221 |
| Net Surplus for the year | - | - | 26 994 047 | 26 994 047 |
| Transfer to Capital Replacement Reserve | 10 215 487 | - | (10 215 487) | - |
| Property, Plant and Equipment purchased | (7 157 037) | - | 7 157 037 | - |
| Transfer to Housing Development Fund | - | (47 413) | 47 413 | - |
| Balance on 30 June 2016 - Restated | 15 230 500 | 504 574 | 279 886 195 | 295 621 269 |
| Net Surplus for the year | - | - | 22 186 031 | 22 186 031 |
| Transfer to Capital Replacement Reserve | 12 266 447 | - | (12 266 447) | - |
| Property, Plant and Equipment purchased | (9 935 447) | - | 9 935 447 | - |
| Transfer to Housing Development Fund | - | (110 761) | 110 761 | - |
| Balance on 30 June 2017 | 17 561 500 | 393 813 | 299 851 987 | 317 807 300 |

BERGRIVIER LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2017

| | Notes | 2017 R (Actual) | 2016 R (Restated) |
|--|-----------|-----------------------|-------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Receipts | | | |
| Property Rates | | 54 248 373 | 50 395 052 |
| Service Charges and Interest on outstanding Debtors | | 145 254 265 | 139 640 956 |
| Other Revenue | | 12 363 073 | 9 760 272 |
| Government Grants | | 54 122 506 | 62 068 429 |
| Investment Income | | 5 819 571 | 4 296 966 |
| Payments | | | |
| Suppliers and employees | | (221 356 910) | (210 718 758) |
| Finance charges | | (6 011 840) | (5 798 289) |
| Transfer and Grants | | (3 550 890) | (3 214 250) |
| NET CASH FROM OPERATING ACTIVITIES | 41 | 40 888 148 | 46 430 377 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Receipts | | | |
| Proceeds from sale of Property, Plant and Equipment | | 471 929 | 105 263 |
| Payments | | | |
| Purchase of Property, Plant and Equipment | | (25 784 683) | (30 476 963) |
| Purchase of Intangible Assets | | (2 038 015) | (1 204 244) |
| (Increase)/Decrease in Long-term Receivables | | - | - |
| NET CASH USED INVESTING ACTIVITIES | | (27 350 769) | (31 575 944) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Receipts | | | |
| New loans raised | | 6 750 000 | 6 130 000 |
| Increase in Consumer Deposits | | 131 871 | 276 434 |
| Payments | | | |
| Loans repaid | | (3 998 280) | (3 945 373) |
| NET CASH FROM FINANCING ACTIVITIES | | 2 883 590 | 2 461 061 |
| NET INCREASE IN CASH HELD | | 16 420 970 | 17 315 494 |
| Cash and Cash Equivalents at the beginning of the year | | 65 659 520 | 48 344 026 |
| Cash and Cash Equivalents at the end of the year | | 82 080 490 | 65 659 520 |

BERGRIVIER LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDING 30 JUNE 2017

| | ORIGINAL BUDGET R | ADJUSTMENTS R | FINAL BUDGET R | ACTUAL R | ACTUAL VS FINAL BUDGET R |
|--|-------------------------|---------------------|----------------------|--------------------|-----------------------------------|
| STATEMENT OF FINANCIAL POSITION | | | | | |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash | 28 181 336 | 32 239 270 | 60 420 606 | 76 058 449 | 15 637 843 |
| Call investment deposits | 40 000 000 | (34 000 000) | 6 000 000 | 6 022 041 | 22 041 |
| Consumer debtors | 70 565 378 | (6 481 603) | 64 083 775 | 71 091 046 | 7 007 271 |
| Other Receivables | 3 892 700 | 747 909 | 4 640 609 | 6 280 184 | 1 639 575 |
| Current portion of long-term receivables | - | - | - | 1 471 493 | 1 471 493 |
| Inventory | 2 980 538 | 278 671 | 3 259 209 | 2 704 134 | (555 076) |
| Total current assets | 145 619 952 | (7 215 752) | 138 404 200 | 163 627 346 | 25 223 147 |
| Non current assets | | | | | |
| Long-term receivables | 2 219 806 | 1 450 190 | 3 669 996 | 1 064 264 | (2 605 732) |
| Investment property | 12 860 805 | - | 12 860 805 | 12 840 805 | (20 000) |
| Property, plant and equipment | 346 198 504 | (4 754 243) | 341 444 261 | 339 777 987 | (1 666 273) |
| Intangible Assets | 5 121 623 | (1 068 103) | 4 053 520 | 3 236 318 | (817 202) |
| Total non current assets | 366 400 738 | (4 372 156) | 362 028 581 | 356 919 374 | (5 109 208) |
| TOTAL ASSETS | 512 020 690 | (11 587 908) | 500 432 781 | 520 546 720 | 20 113 939 |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Borrowing | - | 3 927 025 | 3 927 025 | 4 536 359 | 609 334 |
| Consumer deposits | 3 195 809 | 4 191 | 3 200 000 | 3 281 104 | 81 104 |
| Trade and other payables | 43 775 390 | (16 071 469) | 27 703 922 | 33 463 135 | 5 759 213 |
| Provisions and Employee Benefits | 6 790 327 | 922 172 | 7 712 500 | 9 813 937 | 2 101 437 |
| Total current liabilities | 53 761 527 | (11 218 080) | 42 543 446 | 51 094 535 | 8 551 088 |
| Non current liabilities | | | | | |
| Borrowing | 54 983 950 | (3 759 727) | 51 224 223 | 50 268 008 | (956 215) |
| Provisions and Employee Benefits | 108 944 311 | (756 300) | 108 188 011 | 101 376 877 | (6 811 134) |
| Total non current liabilities | 163 928 261 | (4 516 027) | 159 412 234 | 151 644 885 | (7 767 349) |
| TOTAL LIABILITIES | 217 689 788 | (15 734 107) | 201 955 681 | 202 739 420 | 783 739 |
| NET ASSETS | 294 330 902 | 4 146 199 | 298 477 101 | 317 807 300 | 19 330 200 |
| COMMUNITY WEALTH | | | | | |
| Accumulated Surplus | 278 699 415 | 4 723 612 | 283 423 027 | 299 851 987 | 16 428 959 |
| Reserves | 15 631 487 | (577 413) | 15 054 074 | 17 955 313 | 2 901 239 |
| TOTAL COMMUNITY WEALTH/EQUITY | 294 330 902 | 4 146 199 | 298 477 101 | 317 807 300 | 19 330 198 |

Refer to note 43.2 for explanations of material variances.

Material variances are considered to be any variances greater than R2.5 million.

BERGRIVIER LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDING 30 JUNE 2017

| | ORIGINAL BUDGET R | ADJUSTMENTS R | FINAL BUDGET R | ACTUAL R | ACTUAL VS FINAL BUDGET R |
|--|-------------------------|--------------------|----------------------|--------------------|-----------------------------------|
| STATEMENT OF FINANCIAL PERFORMANCE | | | | | |
| REVENUE | | | | | |
| Property Rates | 55 677 287 | 500 000 | 56 177 287 | 56 638 655 | 461 368 |
| Service Charges - Electricity Revenue | 100 386 243 | 2 290 000 | 102 676 243 | 94 360 008 | (8 316 235) |
| Service Charges - Water Revenue | 24 765 000 | 900 000 | 25 665 000 | 24 508 697 | (1 156 303) |
| Service Charges - Sanitation Revenue | 10 278 000 | 495 000 | 10 773 000 | 11 063 117 | 290 117 |
| Service Charges - Refuse Revenue | 17 111 000 | 1 130 000 | 18 241 000 | 18 639 127 | 398 127 |
| Rental of Facilities and Equipment | 4 242 000 | 466 000 | 4 708 000 | 4 982 060 | 274 060 |
| Interest Earned - External Investments | 3 200 000 | 1 300 000 | 4 500 000 | 5 819 571 | 1 319 571 |
| Interest Earned - Outstanding Debtors | 4 240 000 | (190 000) | 4 050 000 | 4 268 050 | 218 050 |
| Fines | 4 307 000 | 4 780 586 | 9 087 586 | 9 779 747 | 692 161 |
| Licences and Permits | 1 560 000 | - | 1 560 000 | 1 530 223 | (29 777) |
| Agency Services | 2 041 000 | - | 2 041 000 | 2 340 077 | 299 077 |
| Transfers Recognised - Operational | 67 211 000 | (502 912) | 66 708 088 | 43 193 875 | (23 514 213) |
| Other Revenue | 3 594 000 | 424 500 | 4 018 500 | 10 794 823 | 6 776 323 |
| Total Revenue (excluding capital transfers) | 298 612 530 | 11 593 174 | 310 205 704 | 287 918 030 | (22 287 674) |
| EXPENDITURE | | | | | |
| Employee Related Costs | 107 290 816 | (454 887) | 106 835 929 | 103 092 354 | (3 743 575) |
| Remuneration of Councillors | 4 861 000 | 450 000 | 5 311 000 | 5 358 968 | 47 968 |
| Debt Impairment | 8 795 197 | 6 203 544 | 14 998 741 | 12 789 307 | (2 209 434) |
| Depreciation and Asset Impairment | 18 539 000 | (457 000) | 18 082 000 | 19 372 439 | 1 290 439 |
| Finance Charges | 12 213 580 | 66 886 | 12 280 466 | 12 662 376 | 381 910 |
| Bulk Purchases | 75 397 000 | 5 620 000 | 81 017 000 | 80 493 562 | (523 438) |
| Transfers and Grants | 3 560 900 | - | 3 560 900 | 3 550 890 | (10 010) |
| Other Expenditure | 74 919 170 | 677 490 | 75 596 660 | 39 604 772 | (35 991 888) |
| Loss on Disposal of PPE | - | - | - | 63 071 | 63 071 |
| Total Expenditure | 305 576 663 | 12 106 033 | 317 682 696 | 276 987 739 | (40 694 957) |
| Surplus/(Deficit) | (6 964 133) | (512 859) | (7 476 992) | 10 930 291 | 18 407 283 |
| Transfers Recognised - Capital | 15 044 000 | (3 467 088) | 11 576 912 | 11 255 741 | (321 171) |
| Surplus/(Deficit) for the year | 8 079 867 | (3 979 947) | 4 099 920 | 22 186 032 | 18 086 112 |

Refer to note 43.3 for explanations of material variances.

Material variances are considered to be any variances greater than R2.5 million.

BERGRIVIER LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDING 30 JUNE 2017

| | ORIGINAL BUDGET R | ADJUSTMENTS R | FINAL BUDGET R | ACTUAL R | ACTUAL VS FINAL BUDGET R |
|--|-------------------------|--------------------|----------------------|---------------------|-----------------------------------|
| CASH FLOW STATEMENT | | | | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | |
| Receipts | | | | | |
| Property rates, penalties & collection charges | 54 382 577 | (452 382) | 53 930 196 | 54 248 373 | 318 177 |
| Service charges | 148 025 443 | 3 035 590 | 151 061 033 | 145 254 265 | (5 806 768) |
| Other revenue | 11 467 598 | 1 326 836 | 12 794 434 | 12 363 073 | (431 361) |
| Government | 82 255 000 | (3 970 000) | 78 285 000 | 54 122 506 | (24 162 494) |
| Interest | 7 440 000 | 948 000 | 8 388 000 | 5 819 571 | (2 568 429) |
| Payments | | | | | |
| Suppliers and Employees | (259 930 264) | (8 400 866) | (268 331 130) | (221 356 910) | 46 974 220 |
| Finance Charges | (12 213 580) | 6 316 580 | (5 897 000) | (6 011 840) | (114 840) |
| Transfers and Grants | (3 560 900) | - | (3 560 900) | (3 550 890) | 10 010 |
| Net Cash from/(used) Operating Activities | 27 865 875 | (1 196 242) | 26 669 633 | 40 888 148 | 14 218 515 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | | |
| Receipts | | | | | |
| Proceeds on disposal of PPE | - | - | - | 471 929 | 471 929 |
| Decrease/(Increase) in Other Non-Current Receivables | (367 150) | 453 569 | 86 419 | - | (86 419) |
| Payments | | | | | |
| Capital Assets | (32 478 000) | 3 333 669 | (29 144 331) | (27 822 698) | 1 321 633 |
| Net Cash from/(used) Investing Activities | (32 845 150) | 3 787 238 | (29 057 912) | (27 350 769) | 1 707 143 |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | | |
| Receipts | | | | | |
| Borrowing long term/refinancing | 6 750 000 | - | 6 750 000 | 6 750 000 | - |
| Increase/(Decrease) in Consumer Deposits | 123 215 | (72 450) | 50 765 | 131 871 | 81 106 |
| Payments | | | | | |
| Repayment of Borrowing | (3 822 817) | 171 418 | (3 651 399) | (3 998 280) | (346 882) |
| Net Cash from/(used) Financing Activities | 3 050 398 | 98 969 | 3 149 367 | 2 883 590 | (265 776) |
| NET INCREASE/(DECREASE) IN CASH HELD | (1 928 877) | 2 689 965 | 761 088 | 16 420 970 | 15 659 882 |
| Cash and Cash Equivalents at the year begin | 70 110 214 | (4 450 695) | 65 659 520 | 65 659 520 | - |
| Cash and Cash Equivalents at the year end | 68 181 337 | (1 760 729) | 66 420 607 | 82 080 490 | 15 659 882 |

Refer to note 43.4 for explanations of material variances.

Material variances are considered to be any variances greater than R2.5 million.

BERGRIVIER LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1 ACCOUNTING POLICIES

1.01 BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – November 2013) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

1.02 TRANSITIONAL PROVISIONS

The Municipality resolved to take advantage of the following transitional provisions:

In term of Directive 7 - "The Application of Deemed Cost on the Adoption of Standards of GRAP", the Municipality applied deemed cost to Investment Property and Property, Plant and Equipment where the acquisition cost of an asset could not be determined.

1.03 PRESENTATION CURRENCY

The financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

1.04 GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

1.05 COMPARATIVE INFORMATION

1.05.1 Prior year comparatives

When the presentation or classification of items in the financial statements are amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

BERGRIVIER LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.05.2 Amended Accounting Policies

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements.

No significant amendments were made to the accounting policy in the current year.

1.06 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.07 BUDGET INFORMATION

Budget information is presented on the accrual basis and is based on the same fiscal period as the actual amounts.

The Statement of Comparison of Budget and Actual Amounts includes the comparison between the approved and final budget amounts, as well as a comparison between the actual amounts and final budget amounts.

The disclosure of comparative information in respect of the previous period is not required by the Standards of GRAP.

1.08 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

1.08.1 Effective dates determined

Where a Standard of GRAP has been issued but is not yet effective, the Municipality may resolve to early adopt such a Standard of GRAP if an effective date has been determined by the Minister of Finance.

The Municipality resolved to early adopt any of the following amended Standards of GRAP which were issued but are not yet effective:

| Standard | Description | Effective Date |
|-----------------|---|----------------|
| GRAP 12 (2017) | Inventories | 1 April 2018 |
| GRAP 16 (2017) | Investment Property | 1 April 2018 |
| GRAP 17 (2017) | Property, Plant and Equipment | 1 April 2018 |
| GRAP 21 (2017) | Impairment of non-cash-generating assets | 1 April 2018 |
| GRAP 26 (2017) | Impairment of cash-generating assets | 1 April 2018 |
| GRAP 27 (2017) | Agriculture | 1 April 2018 |
| GRAP 31 (2017) | Intangible Assets | 1 April 2018 |
| GRAP 103 (2017) | Heritage Assets | 1 April 2018 |
| GRAP 106 (2017) | Transfer of Functions Between Entities Not Under Common Control | 1 April 2018 |

The effect of the above-mentioned amended Standards of GRAP which were early adopted is considered insignificant. The amendments to the Standards of GRAP mainly relate to the clarification of accounting principles.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

The Municipality resolved not to early adopt the following Interpretation of the Standard of GRAP which was issued but is not yet effective:

| Standard | Description | Effective Date |
|-----------------|---------------------------------------|----------------|
| iGRAP 18 (2017) | Recognition and Derecognition of Land | 1 April 2019 |

When the above-mentioned Interpretation of the Standards of GRAP becomes effective, the effect will be insignificant as the Municipality's current treatment is already in line with the interpretation's requirements and will only result in additional disclosure.

The Municipality further resolved not to early adopt Directive 12 - "The Selection of an Appropriate Reporting Framework by Public Entities" (effective 1 April 2018) as this Directive is not applicable to municipalities and will have no impact on the Municipality once it becomes effective.

1.08.2 Effective dates not yet determined

Where a Standard of GRAP has been issued but not yet effective and the Minister of Finance has not yet determined an effective date, the Municipality may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event.

The following original Standards of GRAP have been issued but are not yet effective as the Minister of Finance has not yet determined the effective date for application:

1.08.2.1 GRAP 18 - Segment Reporting (February 2011)

The objective of this Standard is to establish principles for reporting financial information by segments.

Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will be not be significant.

1.08.2.2 GRAP 20 - Related Party Disclosure (June 2011)

The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The Municipality resolved to develop an accounting policy as set out in note 1.35 and also adopt the disclosure requirements of this Standard.

The impact of this Standard on the financial statements will be minimal.

1.08.2.3 GRAP 32 - Service Concession Arrangements: Grantor (August 2013)

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.

Preliminary investigations indicated that, other than possibly additional disclosure, the impact of the Standards on the financial statements will not be significant.

1.08.2.4 GRAP 34 - Separate Financial Statements (Original - March 2017)

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

No significant impact is expected as the Municipality has no investments in any entities.

1.08.2.5 GRAP 35 - Consolidated Financial Statements (Original - March 2017)

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

No significant impact is expected as the Municipality does not control any entities.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.08.2.6 GRAP 36 - Investments in Associates and Joint Ventures (Original - March 2017)

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

No significant impact is expected as the Municipality does not have investments in any associates or joint ventures.

1.08.2.7 GRAP 37 - Joint Arrangements (Original - March 2017)

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

No significant impact is expected as the Municipality does not have an interest in any arrangements that are controlled jointly.

1.08.2.8 GRAP 38 - Disclosure of Interests in Other Entities (Original - March 2017)

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- (a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- (b) the effects of those interests on its financial position, financial performance and cash flows.

No significant impact is expected as the Municipality does not have an interest in any entities, associates, joint ventures or joint arrangements.

1.08.2.9 GRAP 108 - Statutory Receivables (September 2013)

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

The Municipality resolved to develop an accounting policy as set out in note 1.2.

The impact of this Standard on the financial statements will be minimal.

1.08.2.10 GRAP 109 - Accounting by Principles and Agents (July 2015)

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

No significant impact is expected as the Municipality's current treatment is already in line with the Standard's requirements.

1.08.2.11 GRAP 110 - Living and Non-living Resources (Original - March 2017)

The objective of this Standard is to prescribe the:

- (a) recognition, measurement, presentation and disclosure requirements for living resources; and
- (b) disclosure requirements for non-living resources.

Preliminary investigations indicated that the Municipality's non-living resources do not fall within the scope of this Standard.

1.08.2.12 IGRAP 17 - Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset (August 2015)

This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

Preliminary investigations indicated that, other than possibly additional disclosure, the impact of the Standards on the financial statements will be not be significant.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.09 RESERVES

1.09.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR.

The following provisions are set for the creation and utilisation of the CRR:

- (a) The cash funds that back up the CRR are invested until utilised.
- (b) The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- (c) Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the accumulated surplus is credited by a corresponding amount.

1.09.2 Housing Development Fund (HDF)

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress, as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the HDF:

- (a) The HDF is fully cash-backed.
- (b) The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy and also for housing development projects approved by the MEC for Human Settlements.
- (c) Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.

1.10 INVESTMENT PROPERTY

1.10.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, for administration purposes, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially measured at cost on its acquisition date. The cost of investment property is the purchase price and other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an investment property is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition and any other costs attributable to bring the asset to a condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of self-constructed investment property is the cost at date of completion. Transfers are made to or from investment property only when there is a change in use.

Where investment property is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.10.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.10.3 Depreciation – Cost Model

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

| | YEARS |
|------|-------|
| Land | N/A |

1.10.4 Impairment

Investment property is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.10.5 Derecognition

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of the retirement or disposal.

Compensation from third parties for items of investment property that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.11 PROPERTY, PLANT AND EQUIPMENT

1.11.1 Initial Recognition

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

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Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment.

1.11.2 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.11.3 Depreciation

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Depreciation of an asset ceases at the date that the asset is derecognised.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The depreciation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The depreciation method is reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

At each reporting date the Municipality assesses whether there is any indication that expectations about the residual value and the useful life of an asset may have changed since the preceding reporting date. If any such indication exists, the expected residual value and useful life are revised and the effect of any changes in estimate accounted for on the a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

| | YEARS | | YEARS |
|---|---------|--------------------------------------|---------|
| Infrastructure | | Community Assets (Continued) | |
| Roads, Pavements, Bridges & Storm Water | 5 - 50 | Museums and Art Galleries | 20 - 50 |
| Electricity Network | 5 - 50 | Other | 2 - 30 |
| Water Network | 3 - 100 | Work in progress | N/A |
| Sewerage Network | 5 - 100 | | |
| Refuse Sites | 3 - 50 | Other Assets | |
| Other | 3 - 50 | General Vehicles | 2 - 10 |
| Capital Restoration Costs | 10 | Specialised Vehicles | 2 - 30 |
| Work in progress | N/A | Plant & Equipment | 2 - 30 |
| Community Assets | 20 - 30 | Furniture and Other Office Equipment | 5 - 30 |
| Parks and Gardens | 5 - 50 | Civic Land and Buildings | 5 - 100 |
| Sportfields and Stadia | 20 - 30 | Other Land and Buildings | 5 - 100 |
| Community Halls | 20 - 50 | Other | 3 - 15 |
| Libraries | 20 - 50 | Leases | 2 - 5 |
| Recreational Facilities | 20 - 50 | Work in progress | N/A |
| Clinics | 20 - 50 | | |

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1.11.4 Impairment

Property, plant and equipment is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.11.5 Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.12 INTANGIBLE ASSETS

1.12.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

The Municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost on its acquisition date. The cost of an intangible asset is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost is measured at its fair value at the date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Internally generated intangible assets are subject to a strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) its ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits or service potential;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

1.12.2 Subsequent Measurement - Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses.

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1.12.3 Amortisation

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.

Amortisation of an intangible with a finite life asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset.

The residual value of an intangible asset with a finite useful life is considered to be zero.

The amortisation period and amortisation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

The annual amortisation rates are based on the following estimated useful lives:

| | Years |
|-------------------|--------|
| Computer Software | 5 - 15 |

1.12.4 Impairment

Intangible assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.12.5 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.13 HERITAGE ASSETS

1.13.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date. The cost of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, the cost is deemed to be equal to the fair value of that asset as at date of acquisition and any other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where a heritage asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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1.13.2 Subsequent Measurement – Cost Model

Heritage assets are carried at its cost less any accumulated impairment losses.

1.13.3 Depreciation

Heritage assets are not depreciated.

1.13.4 Impairment

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.13.5 Derecognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset.

The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

Compensation from third parties for heritage assets that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

1.14 IMPAIRMENT OF NON-MONETARY ASSETS

An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

Cash-generating assets are assets held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the asset.

1.14.1 Recoverable amount of Cash-generating assets

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

The best evidence of fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

1.14.2 Recoverable amount of Non-cash-generating assets

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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1.14.3 Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation decrease in accordance with that Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.14.4 Reversal of an impairment loss

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at a revalued amount in accordance with another Standard of GRAP is treated as a revaluation increase in accordance with that Standard of GRAP.

After the reversal of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.15 INVENTORIES

1.15.1 Initial Recognition

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process;
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services;
- (c) held for sale or distribution in the ordinary course of operations; or
- (d) in the process of production for sale or distribution.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventories are acquired through a non-exchange transaction, the cost is measured at the fair value as at the date of acquisition plus any other costs in bringing the inventories to their current location and condition.

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1.15.2 Subsequent Measurement

When inventories are sold, exchanged or distributed the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed, or related service is rendered.

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Current replacement cost is the cost the Municipality would incur to acquire the asset on the reporting date.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories is recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The basis of allocating cost to inventory items is the weighted average method.

At reporting date, the water volume is determined by way of dip readings and the calculated volume in the distribution network. Water inventory is then measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.16 EMPLOYEE BENEFITS

Defined-contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year during which they become payable.

Defined-benefit plans are post-employment benefit plans other than defined-contribution plans.

1.16.1 Post-Retirement Benefits

The Municipality provides retirement benefits for its employees and councillors. Retirement benefits consist of defined-contribution plans and defined-benefit plans.

1.16.1.1 Multi-employer defined benefit plans

The Municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. These defined benefit funds are actuarially valued on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

1.16.1.2 Post Retirement Medical Benefits

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined. The plan is unfunded.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

Contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.16.2 Long-term Benefits

1.16.2.1 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.16.3 Short-term Benefits

1.16.3.1 Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at reporting date and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

1.16.3.2 Bonuses

The liability for staff bonuses is based on the accrued bonus for each employee at reporting date.

1.17 PROVISIONS

A provision is a liability of uncertain timing or amount. Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the Municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision. In the Statement of Financial Performance, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

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A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.18 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

1.18.1 Municipality as Lessee

1.18.1.1 Finance Leases

At the commencement of the lease term, the Municipality recognises assets acquired under finance leases as assets and the associated lease obligations as liabilities in the Statement of Financial Position.

At the inception of the lease, the assets and liabilities are recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. If the rate implicit to the lease is not available the Municipality's incremental borrowing rate is used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents, if any, are charged as expenses to the Statement of Financial Performance in the periods in which they are incurred. The leased assets are accounted for in accordance with the stated accounting policies applicable to the assets.

1.18.1.2 Operating leases

Lease payment under an operating lease is recognised as an expense in the Statement of Financial Performance on a straight-line basis over lease term, unless another systematic basis is more representative of the time pattern of the user's benefit. The difference between the straight-lined expenses and actual payments made will give rise to a liability.

1.18.2 Municipality as Lessor

1.18.2.1 Finance Leases

The Municipality recognises lease payments receivable under a finance lease as assets (receivable) in the Statement of Financial Position. The asset (receivable) is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease.

The asset (receivable) is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis in the Statement of Financial Performance.

1.18.2.2 Operating Leases

Operating lease revenue is recognised in the Statement of Financial Performance on a straight-line basis over the term of the relevant lease, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.19 FINANCIAL INSTRUMENTS

1.19.1 Initial Recognition

Financial instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.19.2 Subsequent Measurement

Financial instruments are categorised as follow:

- (a) **Financial instruments at amortised cost** are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for maturities greater than 12 months, which are classified as non-current. After initial recognition, both financial assets and financial liabilities are measured at amortised cost, using the effective interest rate method. Financial assets are also subject to an impairment review.
- (b) **Financial instruments at cost** are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Both financial assets and financial liabilities are subsequently measured at cost. Financial assets are subject to an impairment review.
- (c) **Financial instruments at fair value** comprise of financial assets or financial liabilities that are:
 - (i) derivatives;
 - (ii) combined instruments that are designated at fair value;
 - (iii) instruments held for trading;
 - (iv) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (v) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Both, financial assets and financial liabilities are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

1.19.3 Impairment and uncollectability of financial assets

Financial assets, other than those at fair value, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets.

1.19.3.1 Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Cash flows relating to short-term financial assets are not discounted where the effect of discounting is immaterial. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed by adjusting an allowance account. The amount of the reversal is recognised in Statement of Financial Performance.

1.19.3.2 Financial assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses is not be reversed.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.19.4 Derecognition of financial instruments

1.19.4.1 Financial assets

The Municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial assets (receivables) are also derecognised when Council approves the write-off of financial assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

1.19.4.2 Financial liabilities

The Municipality derecognises financial liabilities when the Municipality's obligations are discharged, cancelled or they expire.

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

1.19.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.20 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.20.1 Initial Recognition

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Municipality initially measures statutory receivables at their transaction amount.

1.20.2 Subsequent Measurement

The Municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is subsequently changed to reflect any interest or other charges that may have accrued on the receivable, less any impairment losses and amounts derecognised.

1.20.3 Impairment and uncollectability of statutory receivables

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired.

If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

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1.20.4 Derecognition

The Municipality derecognises a statutory receivable when the rights to the cash flows from the receivable are settled, expire or are waived or the Municipality transfers the receivable and substantially all the risks and rewards of ownership of the receivable to another entity.

When the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of receivable to another entity, the Municipality derecognises the receivable and recognises separately any rights and obligations created or retained in the transfer.

1.21 CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash held with banks, and call deposits. Cash equivalents are short-term highly liquid investments with registered banking institutions with maturities of three months or less from inception, readily convertible to cash without significant change in value.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred in the Statement of Financial Performance.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

1.22 RECEIVABLES

Receivables are recognised initially at fair value, which approximates amortised cost less provision for impairment. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. An estimate is made for impairment of receivables, based on past default experience of all outstanding amounts at reporting date.

Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the Statement of Financial Performance.

1.23 TAXES (VALUE ADDED TAX)

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included in the Statement of Financial Position. The Municipality accounts for value-added tax (VAT) on the payment basis.

1.24 PAYABLES AND ANNUITY LOANS

Payables and annuity loans are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.25 CONSUMER DEPOSITS

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.26 CONDITIONAL GOVERNMENT GRANTS AND PUBLIC CONTRIBUTIONS

Grants, transfers and donations received or receivable are recognised as assets when the resources that have been transferred to the Municipality meet the definition and criteria for recognition as assets.

Conditional grants, transfers and donations are recognised as revenue to the extent that the Municipality has complied with the conditions embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the conditions have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

The liability recognised to the extent that the conditions associated with the grant, transfer or donation have not been met, always has to be cash-backed. The cash which backs up the liability is invested as a individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on investments of grants, transfers and donations are treated in accordance with conditions as stipulated in the agreement. If it is payable to the grantor it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.27 REVENUE

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the Municipality has no intention of collecting this revenue. Where the Municipality has no intention of collecting the revenue, rebates and discounts are offset against the related revenue. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

1.27.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

1.27.1.1 Taxation Revenue

Taxation revenue comprises of property rates. Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

1.27.1.2 Transfer Revenue

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants, transfers and donations without any conditions attached are recognised as revenue when the asset is recognised.

1.27.1.3 Fines

Fine Revenue constitutes both spot fines and summonses. All fines issued during the year less any cancellations or reductions are recognised as revenue. Any fine reductions or cancellations subsequent to the reported date is recorded as a write-off against the provision raised for debt impairment.

1.27.1.4 Insurance Receipts

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.27.1.5 *Unclaimed deposits*

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

1.27.1.6 *Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure*

Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the MFMA (Act 56 of 2003), and is recognised upon the recovery thereof from the responsible party.

1.27.1.7 *Services in-kind*

Services in-kind include services provided by individuals to the Municipality at no charge or where the Municipality has the right to use assets at no charge.

The Municipality's recognises services in-kind that are significant to its operations as assets and recognises the related revenue when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

When the criteria for recognition is satisfied, services in-kind are recognised at their fair value as at the date of acquisition.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the criteria for recognition, the Municipality only disclose the nature and type of services in-kind received during the reporting period.

1.27.1.8 *Contributed Assets*

Contributed assets are recognised at fair value when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

1.27.2 *Revenue from Exchange Transactions*

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

1.27.2.1 *Service Charges*

Service Charges are levied in terms of approved tariffs.

Service charges relating to electricity and water are based on consumption and a basic charge as per the approved tariffs. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created, based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced, except at reporting date when estimates of consumption up to the reporting date are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at reporting date is recognised as a liability under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to each property. These service charges are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved and are levied on a monthly basis.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

1.27.2.2 *Interest earned*

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.27.2.3 *Rental income*

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

1.27.2.4 *Income from Agency Services*

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

1.27.2.5 *Other Tariffs*

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

1.27.2.6 *Sale of goods*

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- (a) The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- (b) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- (c) The amount of revenue can be measured reliably.
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.27.2.7 *Deferred payment*

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

1.28 **BORROWING COSTS**

Borrowing costs that are incurred by the Municipality are expensed in the Statement of Financial Performance in the period during which they are incurred, regardless of how the borrowings are applied.

1.29 **UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30 **IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.31 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.32 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

1.33 CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.34 EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.35 RELATED PARTIES

The Municipality regards a related party as a person or an entity with the ability to control the Municipality either individually or jointly, or the ability to exercise significant influence over the Municipality, or vice versa.

Management is regarded as a related party and comprises the Councillors, Executive Mayor, Deputy Mayor, Speaker, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

A close family member of management is also considered to be related party. A person is considered to be a close member of the family of another person if they are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms, are disclosed.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.36 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.36.1 Application of Directive 7

For deemed cost applied to Property, Plant and Equipment as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

GRAP implementation date for the Municipality is 1 July 2007 which is also the date applicable when applying Directive 7. The GRAP compliant period is therefore determined to be from 1 July 2007 to the current year's reported date. Where the economic useful life of an item of Property, Plant and Equipment is less than the GRAP compliant period, it is assumed that the item was either incorrectly written off in the past, or that the capital expenditure of the said item was incorrectly included in surplus. In such cases the item shall not be recognised on GRAP implementation date, but shall be taken into account on that date of the opening balances of the comparative amounts.

1.36.2 Impairment of Receivables

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.36.3 Useful lives and residual values

The useful lives of assets are based on management's estimates. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.36.4 Impairment of non-monetary assets

Non-monetary assets can include, but is not limited to, Property, Plant and Equipment, Investment Property and Intangible assets.

The Municipality is not a profit-oriented entity, as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff. As such, management has determined that the Municipality does not control assets that meet the definition of cash-generating assets and that the Standard of GRAP on Impairment of Non-cash-generating Assets will apply to all assets of the Municipality.

The calculation in respect of the impairment of non-monetary assets is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This calculation will only be performed if there is an indication of an impairment.

1.36.5 Post-Retirement and Long-term Benefits

The cost of post retirement medical benefits and long-service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

BERGRIVIER LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

1.36 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

1.36.6 Provisions and Contingent Liabilities

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. The discount rate used to calculate the effect of time value of money is linked to the index for earthwork as published by Statistics South Africa.

1.36.7 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. In making the judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in the Standard of GRAP on Financial Instruments.

1.36.8 Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as prescribed in the Standard of GRAP on Revenue from Exchange Transactions and Standard of GRAP on Revenue from Non-Exchange Transactions. Specifically, when goods are sold, whether the significant risks and rewards of ownership of the goods have been transferred to the buyer and when services are rendered, whether the service has been performed.

BERGRIVIER LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

Figures in Rand

| | 2017 | 2016 |
|--|-------------------|-------------------|
| 2 CASH AND CASH EQUIVALENTS | | |
| Bank Accounts | 76 050 999 | 60 024 814 |
| Call Investment Deposits | 6 022 041 | 5 627 255 |
| Cash Floats | 7 450 | 7 450 |
| Total | 82 080 490 | 65 659 520 |
| Due to the short term nature of cash deposits, all balances included above are in line with their fair values. | | |
| Cash and Cash Equivalents are held to support the following commitments: | | |
| Unspent Conditional Grants | 445 431 | 1 124 152 |
| Unspent Borrowings | 156 706 | 896 699 |
| Capital Replacement Reserve | 17 561 500 | 15 230 500 |
| Cash portion of Housing Development Fund | 393 813 | 504 574 |
| Working Capital Requirements | 63 523 040 | 47 903 595 |
| Total Cash and Cash Equivalents | 82 080 490 | 65 659 520 |
| <u>Bank Accounts</u> | | |
| ABSA Bank Limited - Account Number 11-8056-0153 (Primary Bank Account): | 76 036 250 | 59 996 637 |
| ABSA Bank Limited - Account Number 91-2510-9603 (Traffic Account): | 14 749 | 28 177 |
| Total | 76 050 999 | 60 024 814 |
| Bank accounts consists out of the following accounts: | | |
| <i>ABSA Bank Limited - Account Number 11-8056-0153 (Primary Bank Account):</i> | | |
| Cash book balance at beginning of year | 59 996 637 | 11 763 646 |
| Cash book balance at end of year | 76 036 250 | 59 996 637 |
| Bank statement balance at beginning of year | 60 434 220 | 10 871 548 |
| Bank statement balance at end of year | 74 863 003 | 60 434 220 |
| <i>ABSA Bank Limited - Account Number 91-2510-9603 (Traffic Account):</i> | | |
| Cash book balance at beginning of year | 28 177 | 6 650 |
| Cash book balance at end of year | 14 749 | 28 177 |
| Bank statement balance at beginning of year | 28 177 | 6 650 |
| Bank statement balance at end of year | 14 749 | 28 177 |
| <u>Call Investment Deposits</u> | | |
| Call investment deposits consist out of the following accounts: | | |
| ABSA - Cash Account - Account Number 92-9651-1113 | 6 022 041 | 5 627 255 |
| | 6 022 041 | 5 627 255 |

BERGRIVIER LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

Figures in Rand

| | 2017 | 2016 |
|---|-------------------|-------------------|
| 3 RECEIVABLES FROM EXCHANGE TRANSACTIONS | | |
| Service Receivables | | |
| Electricity | 13 382 459 | 11 305 182 |
| Water | 10 856 057 | 9 324 107 |
| Housing Rentals | 38 527 | 28 645 |
| Refuse | 14 288 226 | 10 890 531 |
| Sewerage | 9 574 563 | 7 386 480 |
| Other | 5 330 385 | 6 078 673 |
| Total Gross Balance | 53 470 218 | 45 013 619 |
| Less: Allowance for Debt Impairment | (7 032 260) | (5 363 159) |
| Total Net Receivable | 46 437 958 | 39 650 460 |
| As previously reported | | 38 148 665 |
| Correction of error restatement - note 40.1 | | 1 501 795 |
| Restated balance | | 39 650 460 |

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary. Interest of prime +1% is levied on late payments.

Reconciliation of Allowance for Debt Impairment

| | | |
|---|------------------|------------------|
| Balance at the beginning of the year | 5 363 159 | 3 994 600 |
| Movement in the contribution to the provision | 2 972 829 | 3 579 522 |
| Bad Debts Written off | (1 303 728) | (2 210 963) |
| Balance at the end of the year | 7 032 260 | 5 363 159 |

The Allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over the last 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

| | Gross Balance R | Allowance for Debt Impairment R | Net Receivable R |
|----------------------------|--------------------|---------------------------------------|---------------------|
| 30 June 2017 | | | |
| Service Receivables | | | |
| Electricity | 13 382 459 | (1 863 702) | 11 518 757 |
| Water | 10 856 057 | (1 362 513) | 9 493 544 |
| Housing Rentals | 38 527 | - | 38 527 |
| Refuse | 14 288 226 | (2 127 066) | 12 161 160 |
| Sewerage | 9 574 563 | (1 586 479) | 7 988 084 |
| Other | 5 330 385 | (92 500) | 5 237 885 |
| Total | 53 470 218 | (7 032 260) | 46 437 958 |
| 30 June 2016 | | | |
| Service Receivables | | | |
| Electricity | 11 305 182 | (1 387 369) | 9 917 813 |
| Water | 9 324 107 | (1 056 277) | 8 267 831 |
| Housing Rentals | 28 645 | - | 28 645 |
| Refuse | 10 890 531 | (1 551 208) | 9 339 323 |
| Sewerage | 7 386 480 | (1 171 422) | 6 215 058 |
| Other | 6 078 673 | (196 883) | 5 881 790 |
| Total | 45 013 619 | (5 363 159) | 39 650 460 |

BERGRIVIER LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

Figures in Rand

| | 2017 | 2016 |
|---|-------------------|-------------------|
| 3 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED) | | |
| Ageing of Receivables from Exchange Transactions | | |
| Electricity | | |
| Current (0 - 30 days) | 6 753 943 | 6 177 418 |
| Past Due (31 - 60 Days) | 832 967 | 712 577 |
| Past Due (61 - 90 Days) | 276 142 | 408 208 |
| Past Due (90 Days +) | 5 519 407 | 4 006 979 |
| Total | 13 382 459 | 11 305 182 |
| Water | | |
| Current (0 - 30 days) | 1 997 770 | 2 357 399 |
| Past Due (31 - 60 Days) | 937 767 | 787 433 |
| Past Due (61 - 90 Days) | 537 992 | 536 052 |
| Past Due (90 Days +) | 7 382 528 | 5 643 224 |
| Total | 10 856 057 | 9 324 107 |
| Housing Rentals | | |
| Current (0 - 30 days) | 2 977 | 3 532 |
| Past Due (31 - 60 Days) | 1 833 | 1 897 |
| Past Due (61 - 90 Days) | 1 627 | 1 352 |
| Past Due (90 Days +) | 32 091 | 21 865 |
| Total | 38 527 | 28 645 |
| Refuse | | |
| Current (0 - 30 days) | 1 768 225 | 1 602 112 |
| Past Due (31 - 60 Days) | 958 701 | 795 187 |
| Past Due (61 - 90 Days) | 590 294 | 539 119 |
| Past Due (90 Days +) | 10 971 006 | 7 954 113 |
| Total | 14 288 226 | 10 890 531 |
| Sewerage | | |
| Current (0 - 30 days) | 1 034 424 | 945 225 |
| Past Due (31 - 60 Days) | 529 879 | 500 149 |
| Past Due (61 - 90 Days) | 381 434 | 346 566 |
| Past Due (90 Days +) | 7 628 826 | 5 594 539 |
| Total | 9 574 563 | 7 386 480 |
| Other | | |
| Current (0 - 30 days) | 1 079 704 | 1 816 392 |
| Past Due (31 - 60 Days) | (13 669) | (21 176) |
| Past Due (61 - 90 Days) | (51 706) | 42 583 |
| Past Due (90 Days +) | 4 316 056 | 4 240 874 |
| Total | 5 330 385 | 6 078 673 |
| Summary Ageing of all Receivables from Exchange Transactions | | |
| Current (0 - 30 days) | 12 637 043 | 12 902 077 |
| Past Due (31 - 60 Days) | 3 247 478 | 2 776 067 |
| Past Due (61 - 90 Days) | 1 735 782 | 1 873 880 |
| Past Due (90 Days +) | 35 849 915 | 27 461 594 |
| Total | 53 470 218 | 45 013 619 |

BERGRIVIER LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

Figures in Rand

| | 2017 | 2016 |
|---|-------------------|-------------------|
| RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS | | |
| Service Receivables | | |
| Rates | 31 157 103 | 29 741 293 |
| Other Receivables | 19 219 701 | 16 911 610 |
| Unpaid Traffic Fines | 14 562 440 | 13 765 003 |
| Suspense Debtors | 3 693 555 | 3 146 607 |
| Unpaid Grants | 113 815 | - |
| Department of Human Settlements | 849 891 | - |
| Total Gross Balance | 50 376 804 | 46 652 903 |
| Less: Allowance for Debt Impairment | (20 482 952) | (18 784 531) |
| Total Net Receivable | 29 893 852 | 27 868 372 |
| As previously reported | | 28 137 577 |
| Correction of error restatement - note 40.2 | | (269 205) |
| Restated balance | | 27 868 372 |

Rates are payable monthly within 30 days after the date of accounts. An option to pay rates annually is also available and the account must be settled on or before 30 September. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary. Interest of prime +1% is levied on late payments.

Reconciliation of Allowance for Debt Impairment

| | | |
|---|-------------------|-------------------|
| Balance at the beginning of the year | 18 784 531 | 14 282 012 |
| Movement in the contribution to the provision | 10 062 026 | 4 748 165 |
| Bad Debts Written off | (8 363 605) | (245 646) |
| Balance at the end of the year | 20 482 952 | 18 784 531 |

The Allowance for impairment of receivables has been made for all consumer balances outstanding based on the payment ratio over the last 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large customer base over which the outstanding receivable balance is spread.

| | Gross Balance R | Allowance for Debt Impairment R | Net Receivable R |
|---------------------------------|--------------------|---------------------------------------|---------------------|
| 30 June 2017 | | | |
| Service Receivables | | | |
| Rates | 31 157 103 | (6 504 015) | 24 653 088 |
| Other Receivables | | | |
| Unpaid Traffic Fines | 14 562 440 | (13 978 937) | 583 503 |
| Suspense Debtors | 3 693 555 | - | 3 693 555 |
| Unpaid Grants | 113 815 | - | 113 815 |
| Department of Human Settlements | 849 891 | - | 849 891 |
| Total | 50 376 804 | (20 482 953) | 29 893 852 |
| 30 June 2016 | | | |
| Service Receivables | | | |
| Rates | 29 741 293 | (5 743 509) | 23 997 784 |
| Other Receivables | | | |
| Unpaid Traffic Fines | 13 765 003 | (13 041 022) | 723 981 |
| Suspense Debtors | 3 146 607 | - | 3 146 607 |
| Total | 46 652 903 | (18 784 531) | 27 868 371 |

BERGRIVIER LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

Figures in Rand

| | 2017 | 2016 |
|--|-------------------|-------------------|
| 4 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED) | | |
| Ageing of Receivables from Non-Exchange Transactions | | |
| Rates | | |
| Current (0 - 30 days) | 4 206 027 | 6 320 767 |
| Past Due (31 - 60 Days) | 1 360 072 | 3 478 568 |
| Past Due (61 - 90 Days) | 674 755 | 972 159 |
| Past Due (90 Days +) | 24 916 249 | 18 969 799 |
| Total | 31 157 103 | 29 741 293 |
| 5 TAXES | | |
| VAT Receivable/(Payable) | 3 634 305 | 3 111 446 |
| VAT Input in Suspense | 2 996 500 | 2 581 222 |
| VAT Output in Suspense - net | (5 653 513) | (4 694 617) |
| VAT Output in Suspense | (6 563 847) | (5 359 402) |
| Less: VAT on Allowance for Debt Impairment | 910 333 | 664 785 |
| Total | 977 292 | 998 051 |
| As previously reported | | 440 600 |
| Correction of error restatement - note 40.3 | | 580 319 |
| Correction of error restatement - note 40.6 | | (22 868) |
| Restated balance | | 998 051 |
| Reconciliation of VAT on Allowance for Debt Impairment | | |
| Balance at beginning of year | 664 785 | 511 092 |
| Debt Impairment for current year | 245 548 | 153 693 |
| Balance at the end of the year | 910 333 | 664 785 |
| 6 OPERATING LEASES | | |
| 6.1 OPERATING LEASE ASSET | | |
| Operating Lease Asset | 62 129 | 75 601 |
| The operating lease asset is derived from contracts where the Municipality acts as the lessor in the agreement. | | |
| Reconciliation of Operating Lease Asset | | |
| Balance at the beginning of the year | 75 601 | 81 069 |
| Movement during the year | (13 472) | (5 468) |
| Balance at the end of the year | 62 129 | 75 601 |
| The Municipality will receive the following lease payments from contracts that have defined lease payments and terms. | | |
| Within 1 Year | 691 819 | 682 989 |
| Between 1 and 5 Years | 750 249 | 1 442 068 |
| After 5 Years | | |
| Total operating lease payments | 1 442 068 | 2 125 057 |
| This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income. | | |
| The leases are in respect of land and buildings being leased. Escalation between 7% and 10% are applicable on the leases. The renewal option after lapsing of the contracts are available. | | |
| The Municipality does not engage in any sub-lease arrangements nor did the Municipality receive any contingent rent during the year. | | |

BERGRIVIER LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

Figures in Rand

| | 2017 | 2016 |
|--|------------------|------------------|
| 7 LONG-TERM RECEIVABLES | | |
| Receivables with repayment arrangements | 2 265 729 | 3 486 387 |
| Individual Housing Loans | 270 028 | 270 028 |
| Sub-Total | 2 535 757 | 3 756 415 |
| Less: Current portion of Long-term Receivables | 1 471 493 | 1 813 055 |
| Receivables with repayment arrangements | 1 314 493 | 1 656 055 |
| Individual Housing Loans | 157 000 | 157 000 |
| Total | 1 064 264 | 1 943 360 |

Receivables with repayment arrangements

Debtors amounting to R2 265 728 (2016 - R3 486 387) have arranged to settle their account over an re-negotiated period. Total payments to the value of R951 236 (2016 - R1 830 332) have been deferred beyond 12 months after year end and subsequently included as part of long-term receivables.

Individual Housing Loans

The loans were granted to facilitate housing schemes in the municipal area.

8 INVENTORY

| | | |
|---|------------------|------------------|
| Fuel | 238 867 | 202 491 |
| Water | 122 559 | 91 127 |
| Spare Parts | 2 259 454 | 2 497 861 |
| Unsold Properties held for resale | 83 254 | 83 254 |
| Total | 2 704 134 | 2 874 733 |
| As previously reported | | 3 059 295 |
| Correction of error restatement - note 40.4 | | (184 561) |
| Restated balance | | 2 874 733 |

Inventory are disclosed at the lower of cost or net realisable value.

The Municipality recognised only purification costs in respect of non-purchased purified water inventory.

No inventory were pledged as security for liabilities.

Inventory written down due to losses identified during the annual stores counts

Inventory recognised as an expense during the year

| | | |
|--------------|-------------------|-------------------|
| | 10 219 | |
| Fuel | 3 104 513 | 2 738 775 |
| Water | 11 701 735 | 10 933 224 |
| Spare parts | 4 250 889 | 3 502 804 |
| Total | 19 057 137 | 17 174 803 |

BERGRIVIER LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

Figures in Rand

| | 2017 | 2016 |
|---|-------------------|-------------------|
| 9 INVESTMENT PROPERTY | | |
| Investment Property - Carrying Value | <u>12 840 805</u> | <u>12 860 805</u> |
| The carrying value of Investment Property is reconciled as follows: | | |
| Opening Carrying Value | 12 860 805 | 12 868 760 |
| Cost | 12 860 805 | 12 868 760 |
| Accumulated Depreciation | - | - |
| Accumulated Impairment | - | - |
| Transfer to Inventory | - | (7 955) |
| Disposals | (20 000) | - |
| Closing Carrying Value | <u>12 840 805</u> | <u>12 860 805</u> |
| Cost | 12 840 805 | 12 860 805 |
| Accumulated Depreciation | - | - |
| Accumulated Impairment | - | - |
| There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal. | | |
| There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements. | | |
| Revenue derived from the rental of investment property | <u>593 722</u> | <u>134 047</u> |
| No operating expenditure was incurred on investment property during the 2016/17 and 2015/16 financial year. | | |

10 PROPERTY, PLANT AND EQUIPMENT

| | Cost R | Accumulated Depreciation R | Accumulated Impairment R | Carrying Value R |
|---|--------------------|----------------------------------|--------------------------------|------------------------|
| 30 June 2017 | | | | |
| Infrastructure | 324 539 003 | (98 546 570) | - | 225 992 433 |
| Community Assets | 40 718 291 | (12 509 868) | - | 28 208 423 |
| Other Assets | 128 070 616 | (42 947 497) | - | 85 123 120 |
| Total | <u>493 327 910</u> | <u>(154 003 934)</u> | <u>-</u> | <u>339 323 976</u> |
| 30 June 2016 | | | | |
| Infrastructure | 310 732 410 | (86 354 378) | - | 224 378 032 |
| Community Assets | 36 002 740 | (11 268 064) | - | 24 734 676 |
| Other Assets | 120 676 397 | (38 179 454) | - | 82 496 943 |
| Total | <u>467 411 547</u> | <u>(135 801 897)</u> | <u>-</u> | <u>331 609 650</u> |
| As previously reported | | | | 331 937 917 |
| Correction of error restatement - note 40.5 | | | | (328 267) |
| Restated balance | | | | <u>331 609 650</u> |
| Repairs and maintenance incurred on Property, Plant and Equipment | | | <u>8 562 453</u> | <u>8 086 388</u> |

The leased property, plant and equipment and the buildings are secured as set out in note 13.

The reconciliation of the carrying value of Property, Plant and Equipment is disclosed on the following page:

BERGRIVIER LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of Carrying Value

30 June 2017

| Reconciliation of Carrying Value | Cost | | | | | | Accumulated Depreciation and Impairment | | | | | | Carrying Value |
|---|-----------------|------------|-----------|--------------------|--------------|-------------|---|------------|---|-----------------|-------------|-------------|----------------|
| | Opening Balance | | | Transfer of Assets | | | Transfer to Capital Assets | | | Closing Balance | | | |
| | | Additions | Disposals | | | | | | | | | | |
| 30 June 2017 | R | R | R | R | R | R | R | R | R | R | R | R | |
| Infrastructure | 310 732 410 | 13 806 593 | - | - | - | 324 539 003 | 86 354 378 | 12 192 192 | - | - | 98 546 570 | 225 992 433 | |
| Roads, Pavements, Bridges & Storm Water | 58 921 998 | - | - | - | 2 472 717 | 61 394 714 | 23 142 217 | 2 497 497 | - | - | 25 639 714 | 35 755 001 | |
| Electricity Network | 38 931 311 | - | - | - | 7 954 543 | 46 885 854 | 11 139 285 | 1 138 898 | - | - | 12 278 183 | 34 607 671 | |
| Water Network | 56 346 238 | - | - | - | 18 434 425 | 74 780 662 | 15 647 950 | 2 442 494 | - | - | 18 090 445 | 56 690 218 | |
| Sewerage Network | 71 533 280 | - | - | - | 534 890 | 72 068 170 | 14 056 380 | 2 735 911 | - | - | 16 792 291 | 55 275 879 | |
| Refuse Sites | 8 521 139 | - | - | - | - | 8 521 139 | 4 465 193 | 375 139 | - | - | 4 840 332 | 3 680 807 | |
| Other | 1 553 306 | - | - | - | 32 497 | 1 585 803 | 430 721 | 75 046 | - | - | 505 767 | 1 080 036 | |
| Capital Restoration Costs | 42 845 626 | 971 864 | - | - | - | 43 817 490 | 17 472 631 | 2 927 207 | - | - | 20 399 838 | 23 417 652 | |
| Work in progress | 32 079 512 | 12 834 729 | - | - | (29 429 071) | 15 485 170 | - | - | - | - | - | 15 485 170 | |
| Community Assets | 36 002 740 | 4 715 551 | - | - | - | 40 718 291 | 11 268 064 | 1 241 804 | - | - | 12 509 868 | 28 208 423 | |
| Parks and Gardens | 624 702 | 233 993 | - | - | - | 858 695 | 321 683 | 36 681 | - | - | 358 364 | 500 331 | |
| Sportfields and Stadia | 8 810 367 | 38 760 | - | - | - | 8 849 127 | 3 016 993 | 298 140 | - | - | 3 315 133 | 5 533 994 | |
| Community Halls | 1 479 318 | - | - | - | - | 1 479 318 | 675 894 | 49 309 | - | - | 725 203 | 754 116 | |
| Libraries | 4 985 995 | 311 740 | - | - | - | 5 297 735 | 1 404 202 | 141 922 | - | - | 1 546 124 | 3 751 611 | |
| Recreational Facilities | 14 585 579 | 413 527 | - | - | - | 14 999 107 | 4 971 367 | 485 013 | - | - | 5 456 380 | 9 542 727 | |
| Clinics | 700 000 | - | - | - | - | 700 000 | 140 000 | 15 555 | - | - | 155 555 | 544 445 | |
| Museums and Art Galleries | 1 575 630 | 96 382 | - | - | - | 1 672 012 | 524 006 | 46 991 | - | - | 570 998 | 1 101 015 | |
| Other | 1 482 818 | 408 517 | - | - | - | 1 891 335 | 213 919 | 168 192 | - | - | 382 110 | 1 509 224 | |
| Work in progress | 1 758 330 | 3 212 631 | - | - | - | 4 970 961 | - | - | - | - | - | 4 970 961 | |
| Other Assets | 120 676 397 | 8 234 403 | (840 184) | - | - | 128 070 616 | 38 179 454 | 5 543 226 | - | (775 184) | 42 947 497 | 85 123 120 | |
| General Vehicles | 10 927 770 | 936 669 | - | - | - | 11 864 438 | 7 938 937 | 786 274 | - | - | 8 725 211 | 3 139 227 | |
| Specialised Vehicles | 5 035 353 | 1 274 515 | - | - | - | 6 309 868 | 2 856 382 | 369 821 | - | - | 3 226 202 | 3 083 666 | |
| Plant & Equipment | 13 796 510 | 1 479 595 | - | - | - | 15 276 105 | 7 720 635 | 1 356 776 | - | - | 9 077 411 | 6 198 694 | |
| Furniture and Other Office Equipment | 11 147 287 | 1 829 625 | - | - | - | 12 976 912 | 6 336 057 | 1 437 689 | - | - | 7 773 746 | 5 203 166 | |
| Civic Land and Buildings | 24 322 313 | - | - | - | - | 24 322 313 | 5 420 483 | 748 709 | - | - | 6 169 192 | 18 153 121 | |
| Other Land and Buildings | 51 195 267 | 58 507 | (65 000) | - | - | 51 188 774 | 5 344 207 | 460 284 | - | - | 5 804 492 | 45 384 282 | |
| Other | 3 290 696 | 315 246 | - | - | - | 3 605 943 | 1 866 449 | 292 559 | - | - | 2 159 008 | 1 446 935 | |
| Leases | 789 994 | - | (775 184) | - | - | 14 810 | 696 304 | 91 114 | - | (775 184) | 12 235 | 2 575 | |
| Work in progress - Municipal Buildings | 171 207 | 2 340 245 | - | - | - | 2 511 453 | - | - | - | - | - | 2 511 453 | |
| | 467 411 547 | 26 756 547 | (840 184) | - | - | 493 327 910 | 135 801 897 | 18 977 221 | - | (775 184) | 154 003 934 | 339 323 976 | |

BERGRIVIER LOCAL MUNICIPALITY

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10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of Carrying Value

30 June 2016

| Reconciliation of Carrying Value | Cost | | | | | | Accumulated Depreciation and Impairment | | | | | | Carrying Value |
|---|-----------------|------------|-------------|-----------------|--------------|-------------|---|------------|---|-----------------|-------------|-------------|----------------|
| | Opening Balance | | | Closing Balance | | | Opening Balance | | | Closing Balance | | | |
| | | | | | | | | | | | | | |
| 30 June 2016 | R | R | R | R | R | R | R | R | R | R | R | R | |
| Infrastructure | 288 667 874 | 23 210 651 | (1 146 115) | - | - | 310 732 410 | 75 606 639 | 10 747 799 | - | (60) | 86 354 378 | 224 378 032 | |
| Roads, Pavements, Bridges & Storm Water | 56 023 598 | - | - | - | 2 898 400 | 58 921 998 | 20 864 100 | 2 278 117 | - | - | 23 142 217 | 35 779 781 | |
| Electricity Network | 37 769 191 | - | - | - | 1 162 120 | 38 931 311 | 10 083 492 | 1 055 793 | - | - | 11 139 285 | 27 792 026 | |
| Water Network | 51 676 130 | - | (7 205) | - | 4 677 313 | 56 346 238 | 14 107 392 | 1 540 618 | - | (60) | 15 647 950 | 40 698 287 | |
| Sewerage Network | 68 753 964 | - | - | - | 2 779 315 | 71 533 280 | 11 426 664 | 2 629 716 | - | - | 14 056 380 | 57 476 899 | |
| Refuse Sites | 8 428 192 | - | - | - | 92 947 | 8 521 139 | 4 100 087 | 365 105 | - | - | 4 465 193 | 4 055 946 | |
| Other | 1 180 584 | - | - | - | 372 722 | 1 553 306 | 371 494 | 59 227 | - | - | 430 721 | 1 122 585 | |
| Capital Restoration Costs | 43 984 536 | - | (1 138 910) | - | - | 42 845 626 | 14 653 410 | 2 819 222 | - | - | 17 472 631 | 25 372 995 | |
| Work in progress | 20 851 679 | 23 210 651 | - | - | (11 982 818) | 32 079 512 | - | - | - | - | - | 32 079 512 | |
| Community Assets | 32 751 567 | 3 251 173 | - | - | - | 36 002 740 | 10 200 181 | 1 067 883 | - | - | 11 268 064 | 24 734 676 | |
| Parks and Gardens | 605 518 | 19 184 | - | - | - | 624 702 | 294 167 | 27 516 | - | - | 321 683 | 303 019 | |
| Sportfields and Stadia | 8 203 245 | 607 122 | - | - | - | 8 810 367 | 2 721 334 | 295 659 | - | - | 3 016 993 | 5 793 374 | |
| Community Halls | 1 479 318 | - | - | - | - | 1 479 318 | 626 585 | 49 309 | - | - | 675 894 | 803 425 | |
| Libraries | 4 664 753 | 321 243 | - | - | - | 4 985 995 | 1 277 889 | 126 313 | - | - | 1 404 202 | 3 581 793 | |
| Recreational Facilities | 14 549 705 | 35 874 | - | - | - | 14 585 579 | 4 505 948 | 465 419 | - | - | 4 971 367 | 9 614 212 | |
| Clinics | 700 000 | - | - | - | - | 700 000 | 124 444 | 15 555 | - | - | 140 000 | 560 000 | |
| Museums and Art Galleries | 1 575 630 | - | - | - | - | 1 575 630 | 479 815 | 44 192 | - | - | 524 006 | 1 051 624 | |
| Other | 973 398 | 509 419 | - | - | - | 1 482 818 | 169 999 | 43 920 | - | - | 213 919 | 1 268 899 | |
| Work in progress | - | 1 758 330 | - | - | - | 1 758 330 | - | - | - | - | - | 1 758 330 | |
| Other Assets | 116 696 926 | 4 196 739 | (217 268) | - | - | 120 676 397 | 33 004 881 | 5 362 270 | - | (187 697) | 38 179 454 | 82 496 943 | |
| General Vehicles | 10 472 895 | 454 875 | - | - | - | 10 927 770 | 7 133 173 | 805 764 | - | - | 7 938 937 | 2 988 832 | |
| Specialised Vehicles | 5 035 353 | - | - | - | - | 5 035 353 | 2 365 433 | 490 949 | - | - | 2 856 382 | 2 178 972 | |
| Plant & Equipment | 12 126 847 | 1 669 663 | - | - | - | 13 796 510 | 6 460 145 | 1 260 490 | - | - | 7 720 635 | 6 075 875 | |
| Furniture and Other Office Equipment | 9 893 843 | 1 299 369 | (45 924) | - | - | 11 147 287 | 5 313 835 | 1 039 577 | - | (17 354) | 6 336 057 | 4 811 229 | |
| Civic Land and Buildings | 24 260 445 | 61 868 | - | - | - | 24 322 313 | 4 677 961 | 742 522 | - | - | 5 420 483 | 18 901 830 | |
| Other Land and Buildings | 51 028 658 | 167 609 | (1 000) | - | - | 51 195 267 | 4 902 412 | 441 796 | - | - | 5 344 207 | 45 851 059 | |
| Other | 3 100 149 | 190 548 | - | - | - | 3 290 696 | 1 588 965 | 277 484 | - | - | 1 866 449 | 1 424 248 | |
| Leases | 778 737 | 181 600 | (170 343) | - | - | 789 994 | 562 958 | 303 689 | - | (170 343) | 696 304 | 93 690 | |
| Work in progress - Municipal Buildings | - | 171 207 | - | - | - | 171 207 | - | - | - | - | - | 171 207 | |
| | 438 116 367 | 30 658 563 | (1 363 382) | - | - | 467 411 547 | 118 811 702 | 17 177 952 | - | (187 757) | 135 801 897 | 331 609 650 | |

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11 INTANGIBLE ASSETS

Intangible Assets - Carrying Value

3 236 318

2 043 520

The carrying value of intangible Assets is reconciled as follows:

Opening Carrying Value

2 043 520

1 175 124

Cost

2 822 983

2 223 231

Work in Progress

604 492

-

Accumulated Depreciation

(1 383 955)

(1 048 107)

Accumulated Impairment

-

-

Additions

199 976

599 752

Work in progress

1 388 039

604 492

Additions

1 838 039

604 492

Disposals

(450 000)

-

Amortisation

(395 218)

(335 848)

Disposal

-

-

Cost

-

-

Accumulated Depreciation

-

-

Closing Carrying Value

3 236 318

2 043 520

Cost

3 022 959

2 822 983

Work in Progress

1 992 531

604 492

Accumulated Depreciation

(1 779 173)

(1 383 955)

Accumulated Impairment

-

-

Work in progress is included in the carrying value of Intangible Assets. No amortisation is recognised against these amounts. The work in progress balance relates to the Phoenix (Vesta) Financial System and a GIS System which is in process of being implemented at the Municipality

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

There are no contractual commitments for the acquisition of intangible assets.

12 HERITAGE ASSETS

Heritage Assets - Carrying Value

454 012

454 012

The carrying value of intangible Assets is reconciled as follows:

Opening Carrying Value

454 012

454 012

Cost

454 012

454 012

Accumulated Impairment

-

-

Movement

-

-

Closing Carrying Value

454 012

454 012

Cost

454 012

454 012

Accumulated Impairment

-

-

There are no heritage assets whose title is restricted.

There are no heritage assets pledged as security for liabilities.

There are no contractual commitments for the acquisition, maintenance or restoration of heritage assets.

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| | 2017 | 2016 |
|---|-------------------|-------------------|
| 13 LONG-TERM LIABILITIES | | |
| Annuity Loans | 54 801 548 | 51 953 649 |
| Finance Lease Liabilities | 2 819 | 98 998 |
| Sub-Total | 54 804 367 | 52 052 647 |
| Less: Current portion of Long-term Liabilities | 4 536 359 | 3 651 399 |
| Annuity Loans | 4 533 540 | 3 555 221 |
| Finance Lease Liabilities | 2 819 | 96 178 |
| Total | 50 268 008 | 48 401 248 |
| Long-term Liabilities were utilised as follow: | | |
| Total Long-term Liabilities taken up | 54 804 367 | 52 052 647 |
| Used to finance Property, Plant and Equipment at cost | (54 647 661) | (51 155 948) |
| Unspent Borrowings | 156 706 | 896 699 |

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act.

Annuity Loans

Annuity Loans, disclosed at amortised cost, consist out of the following agreements:

| Institution and loan number | Rate | Maturity Date | Carrying Value of Liability | |
|-----------------------------|--------|---------------|-----------------------------|-------------------|
| DBSA (61001254) | 15.00% | 2018-06-30 | 264 298 | 492 955 |
| DBSA (61000584) | 9.98% | 2016-12-31 | - | 194 988 |
| DBSA (61003131) | 16.50% | 2020-12-31 | 444 358 | 532 160 |
| DBSA (61001189) | 14.00% | 2017-09-30 | 101 032 | 283 680 |
| Nedbank (05/7831032282) | 11.27% | 2023-06-12 | 2 822 906 | 3 127 274 |
| DBSA (61000757) | 9.86% | 2018-12-31 | 1 407 657 | 2 239 360 |
| DBSA (61001029) | 12.41% | 2030-06-30 | 15 169 656 | 15 624 567 |
| DBSA (61006811) | 11.53% | 2031-06-30 | 3 580 297 | 3 680 151 |
| DBSA (61006837) | 11.59% | 2036-06-30 | 8 449 251 | 8 569 354 |
| DBSA (61006975) | 11.33% | 2032-06-30 | 3 648 431 | 3 738 743 |
| Standard Bank (252933753) | 11.95% | 2024-06-30 | 5 527 289 | 6 010 645 |
| Standard Bank (252933737) | 11.25% | 2019-06-30 | 934 125 | 1 329 772 |
| ABSA (3044794458) | 9.99% | 2021-06-30 | 360 199 | 430 000 |
| ABSA (3044701437) | 10.57% | 2026-06-12 | 5 342 049 | 5 700 000 |
| ABSA (3046456438) | 10.12% | 2027-06-30 | 5 970 000 | - |
| ABSA (3046456399) | 9.77% | 2022-06-30 | 780 000 | - |
| Total | | | 54 801 548 | 51 953 649 |

All annuity loans are unsecured.

Annuity loans are payable as follows:

| | | |
|--|--------------------|--------------------|
| Payable within one year | 10 819 285 | 8 953 664 |
| Payable within two to five years | 36 073 574 | 33 557 108 |
| Payable after five years | 56 335 704 | 59 754 515 |
| Total amount payable | 103 228 564 | 102 265 287 |
| Less: Outstanding Future Finance Charges | (48 427 016) | (50 311 638) |
| Present value of annuity loans | 54 801 548 | 51 953 649 |

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|----|---|--------------------------------|----------------------|------------------------------------|
| 13 | LONG-TERM LIABILITIES (CONTINUED) | | | |
| | <u>Finance Lease Liabilities</u> | | | |
| | Finance Lease Liabilities, disclosed at amortised cost, consist out of the following agreements: | | | |
| | Description | Effective Interest rate | Maturity Date | Carrying Value of Liability |
| | Cellphones and Modems | Various | 2018-02-28 | 2 819 |
| | Total | | | 98 998 |
| | | | | 2 819 |
| | | | | 98 998 |
| | Finance Leases Liabilities are secured by Property, Plant and Equipment - refer to note 10. | | | |
| | Leased assets remain the property of the lessor after maturity and new lease contracts are negotiated to replace lapsed contracts. | | | |
| | Finance Lease Liabilities are payable as follows: | | | |
| | Payable within one year | | 2 906 | 102 792 |
| | Payable within two to five years | | " | 2 906 |
| | Payable after five years | | " | " |
| | Total amount payable | | 2 906 | 105 697 |
| | Less: Outstanding Future Finance Charges | | (86) | (6 700) |
| | Present value of finance lease liabilities | | 2 819 | 98 998 |
| 14 | CONSUMER DEPOSITS | | | |
| | Water and Electricity Deposits | | 3 281 104 | 3 149 235 |
| | The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts. | | | |
| 15 | PAYABLES FROM EXCHANGE TRANSACTIONS | | | |
| | Trade Payables | | 20 485 306 | 18 522 509 |
| | Retentions | | 610 684 | 629 509 |
| | Payments Received in Advance | | 2 533 879 | 2 715 138 |
| | Unused Pre-paid Electricity | | 559 902 | 490 744 |
| | Sundry Creditors | | 734 040 | 335 271 |
| | Sundry Deposits | | 1 239 401 | 975 456 |
| | Accrued Interest | | 20 302 | 37 963 |
| | Unknown Receipts | | 2 415 851 | 1 960 725 |
| | Department of Human Settlements | | - | 1 873 334 |
| | Goedverwacht Infrastructure Project | | 3 702 058 | - |
| | Witewater Infrastructure Project | | 716 280 | - |
| | Total | | 33 017 704 | 27 540 649 |
| | As previously reported | | | 27 507 525 |
| | Correction of error restatement - note 40.1 | | | 52 744 |
| | Correction of error restatement - note 40.3 | | | 166 593 |
| | Correction of error restatement - note 40.6 | | | (186 212) |
| | Restated balance | | | 27 540 649 |
| | Payables are being recognised net of any discounts received. | | | |
| | The credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary. | | | |
| | The carrying value of trade and other payables approximates its fair value. | | | |
| | Sundry deposits include hall, builders and housing Deposits. | | | |

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| 16 UNSPENT CONDITIONAL GOVERNMENT GRANTS | | |
| National Government | 371 484 | 991 527 |
| Provincial Government | 73 947 | 73 210 |
| Other Grant Providers | - | 59 415 |
| Total | 445 431 | 1 124 152 |
| Detail reconciliations of all grants received and grant conditions met are included in note 22. Unspent grant balances are recognised to the extent that conditions are not yet met. | | |
| No grants were withheld in the current year. | | |
| Due to the short term nature of unspent grant balances, the carrying value approximates the fair value of the unspent conditional grants at year-end. | | |
| Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends. | | |
| 17 CURRENT EMPLOYEE BENEFITS | | |
| Bonuses | 2 683 906 | 2 513 358 |
| Staff Leave | 5 538 336 | 5 150 615 |
| Current portion of Non-Current Employee Benefits - note 18 | 1 591 695 | 1 418 339 |
| Post Retirement Medical Benefits | 1 305 632 | 1 080 348 |
| Long Service Awards | 286 063 | 337 991 |
| Total | 9 813 937 | 9 082 312 |
| The movement in current employee benefits are reconciled as follows: | | |
| <u>Bonuses</u> | | |
| Opening Balance | 2 513 358 | 2 403 836 |
| Contribution during the year | 4 766 950 | 4 424 560 |
| Payments made | (4 596 402) | (4 315 038) |
| Balance at the end of the year | 2 683 906 | 2 513 358 |
| Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. | | |
| <u>Staff Leave</u> | | |
| Opening Balance | 5 150 615 | 4 462 252 |
| Contribution during the year | 971 823 | 1 180 507 |
| Payments made | (584 102) | (492 144) |
| Balance at the end of the year | 5 538 336 | 5 150 615 |
| Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated. | | |
| 18 EMPLOYEE BENEFITS | | |
| Post Retirement Medical Benefits | 37 121 419 | 38 586 722 |
| Long Service Awards | 5 116 747 | 5 071 550 |
| Sub-Total | 42 238 166 | 43 658 272 |
| Less: Current portion of Employee Benefits | 1 591 695 | 1 418 339 |
| Post Retirement Medical Benefits | 1 305 632 | 1 080 348 |
| Long Service Awards | 286 063 | 337 991 |
| Total | 40 646 471 | 42 239 933 |

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| 18 EMPLOYEE BENEFITS (CONTINUED) | | |
| 18.1 Post Retirement Medical Benefits | | |
| The movement in Post Retirement Medical Benefits are reconciled as follows: | | |
| Opening Balance | 38 586 722 | 33 821 235 |
| Contribution during the year | 5 536 826 | 4 950 480 |
| Current Service Cost | 2 059 765 | 1 926 749 |
| Interest Cost | 3 477 061 | 3 023 731 |
| Payments made | (1 153 759) | (1 070 419) |
| Actuarial Loss/(Gain) | (5 848 370) | 885 426 |
| Total balance at year-end | 37 121 419 | 38 586 722 |
| Less: Current portion | (1 305 632) | (1 080 348) |
| Total | 35 815 787 | 37 506 374 |

The Post Retirement Medical Benefit Plan is a defined benefit plan, of which the members are made up as follows:

| | | |
|------------------------|------------|------------|
| In-service members | 162 | 171 |
| In-service non-members | 239 | 205 |
| Continuation members | 30 | 28 |
| Total | 431 | 404 |

| The unfunded liability in respect of past service recognised in the Statement of Financial Position is as follows: | In-Service Members R | In-Service non-Members R | Continuation Members R | Total unfunded Liability R |
|--|-------------------------|-----------------------------|---------------------------|-------------------------------|
| 30 June 2017 | 15 311 845 | 4 632 412 | 17 177 161 | 37 121 419 |
| 30 June 2016 | 19 070 202 | 4 091 768 | 15 424 752 | 38 586 722 |
| 30 June 2015 | 17 257 080 | 3 886 021 | 12 678 134 | 33 821 235 |
| 30 June 2014 | 15 045 458 | 3 250 734 | 11 543 941 | 29 840 133 |
| 30 June 2013 | 10 732 043 | 2 383 705 | 10 524 477 | 23 640 225 |

The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25.

| Experience adjustments were calculated as follows: | Liabilities (Gain) / Loss R | Assets Gain / (Loss) R |
|--|-----------------------------------|------------------------------|
| 30 June 2017 | (727 000) | - |
| 30 June 2016 | 773 000 | - |
| 30 June 2015 | 448 000 | - |
| 30 June 2014 | 2 123 000 | - |
| 30 June 2013 | 840 000 | - |

The Municipality contributes to the following medical schemes on a monthly basis:

Bonitas
LA Health
Hosmed
Samwumed
Keyhealth

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18 EMPLOYEE BENEFITS (CONTINUED)

Key Actuarial Assumptions used are as follows:

i) Interest Rates

| | | |
|---------------------------------|-------|-------|
| Discount rate | 9.71% | 9.14% |
| Health Care Cost Inflation Rate | 7.99% | 8.22% |
| Net Effective Discount Rate | 1.60% | 0.85% |

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

ii) Mortality Rates

The PA 90 ultimate table, rated down by 1 year of age for post retirement, and the SA 85-90 table for in service employees, were used by the actuaries.

iii) Normal Retirement Age

It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

iv) Last Valuation

The last valuation was performed on 4 August 2017.

v) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

Sensitivity Analysis - Liability at year-end

| Assumption | In-service members (R) | Continuation members (R) | Total liability (R) | % change |
|---|---------------------------|-----------------------------|------------------------|----------|
| Liability | 19 944 257 | 17 177 161 | 37 121 418 | |
| Health care inflation (+ 1%) | 24 555 000 | 19 039 000 | 43 594 000 | 17% |
| Health care inflation (- 1%) | 16 331 000 | 15 583 000 | 31 914 000 | -14% |
| Discount rate (+ 1%) | 16 410 000 | 15 619 000 | 32 029 000 | -14% |
| Discount rate (- 1%) | 24 520 000 | 19 026 000 | 43 546 000 | 17% |
| Post-retirement mortality (- 1 year) | 20 606 000 | 17 795 000 | 38 401 000 | 3% |
| Average retirement age (- 1 year) | 21 959 000 | 17 177 000 | 39 136 000 | 5% |
| Continuation of membership after retirement (- 10%) | 16 390 000 | 17 177 000 | 33 567 000 | -10% |

Sensitivity Analysis - Future Service and Interest Cost (Current Financial Year)

| Assumption | Current Service Cost (R) | Interest Cost (R) | Total Cost (R) | % change |
|---|-----------------------------|----------------------|-------------------|----------|
| Estimated for 2016/17 | 2 059 765 | 3 477 061 | 5 536 826 | |
| Health care inflation (+ 1%) | 2 591 800 | 4 121 700 | 6 713 500 | 21% |
| Health care inflation (- 1%) | 1 650 700 | 2 961 300 | 4 612 000 | -17% |
| Discount rate (+ 1%) | 1 672 100 | 3 294 200 | 4 966 300 | -10% |
| Discount rate (- 1%) | 2 568 700 | 3 671 200 | 6 239 900 | 13% |
| Post-retirement mortality (- 1 year) | 2 135 300 | 3 608 800 | 5 744 100 | 4% |
| Average retirement age (- 1 year) | 2 218 800 | 3 689 100 | 5 907 900 | 7% |
| Continuation of membership after retirement (- 10%) | 1 714 000 | 3 133 900 | 4 847 900 | -12% |

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18 EMPLOYEE BENEFITS (CONTINUED)

Sensitivity Analysis - Future Service and Interest Cost (Next Financial Year)

| Assumption | Current Service Cost (R) | Interest Cost (R) | Total Cost (R) | % change |
|---|-----------------------------|----------------------|-------------------|----------|
| Estimated for 2017/18 | 1 873 400 | 3 544 100 | 5 417 500 | |
| Health care inflation (+ 1%) | 2 358 000 | 4 172 600 | 6 530 600 | 17% |
| Health care inflation (- 1%) | 1 500 400 | 3 038 500 | 4 538 900 | -16% |
| Discount rate (+ 1%) | 1 522 200 | 3 363 500 | 4 885 700 | -10% |
| Discount rate (- 1%) | 2 332 800 | 3 739 000 | 6 071 800 | 12% |
| Post-retirement mortality (- 1 year) | 1 935 600 | 3 668 400 | 5 604 000 | 3% |
| Average retirement age (- 1 year) | 1 998 900 | 3 739 800 | 5 738 700 | 6% |
| Continuation of membership after retirement (- 10%) | 1 525 600 | 3 198 800 | 4 724 400 | -13% |

18.2 Long Service Awards

The movement in Long Service Awards are reconciled as follows:

| | | |
|------------------------------|-----------|-----------|
| Opening Balance | 5 071 550 | 4 981 620 |
| Contribution during the year | 889 028 | 822 052 |
| Current Service Cost | 463 903 | 439 518 |
| Interest Cost | 425 125 | 382 534 |
| Payments made | (352 337) | (463 193) |
| Actuarial Loss/(Gain) | (491 494) | (268 929) |
| Total balance at year-end | 5 116 747 | 5 071 550 |
| Less: Current portion | (286 063) | (337 991) |
| Total | 4 830 684 | 4 733 559 |

The Long Service Awards plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Awards

385

376

The unfunded liability in respect of past service recognised in the Statement of Financial Position is as follows:

| | Unfunded Liability R |
|--------------|-------------------------|
| 30 June 2017 | 5 116 747 |
| 30 June 2016 | 5 071 550 |
| 30 June 2015 | 4 981 620 |
| 30 June 2014 | 4 474 426 |
| 30 June 2013 | 3 997 308 |

The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25.

Experience adjustments were calculated as follows:

| | Liabilities (Gain) / Loss R | Assets Gain / (Loss) R |
|--------------|-----------------------------------|------------------------------|
| 30 June 2017 | (198 919) | - |
| 30 June 2016 | (128 533) | - |
| 30 June 2015 | 310 047 | - |
| 30 June 2014 | 79 054 | - |
| 30 June 2013 | 26 306 | - |

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18 EMPLOYEE BENEFITS (CONTINUED)

Key Actuarial Assumptions used are as follows:

i) Interest Rates

| | | |
|---|-------|-------|
| Discount rate | 8.56% | 8.67% |
| General Salary Inflation (long-term) | 6.38% | 7.31% |
| Net Effective Discount Rate applied to salary-related Long Service Awards | 2.05% | 1.26% |

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

ii) Last Valuation

The last valuation was performed on 4 August 2017.

iii) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

Sensitivity Analysis on the Unfunded Accrued Liability

| Assumption | Current Liability (R) | Liability (R) | % Change |
|--------------------------------------|-----------------------|---------------|----------|
| General salary inflation (+ 1%) | 5 116 747 | 5 488 000 | 7% |
| General salary inflation (- 1%) | 5 116 747 | 4 782 000 | -7% |
| Discount rate (+ 1%) | 5 116 747 | 4 769 000 | -7% |
| Discount rate (- 1%) | 5 116 747 | 5 510 000 | 8% |
| Average retirement age (- 2 years) | 5 116 747 | 4 364 000 | -15% |
| Average retirement age (+ 2 years) | 5 116 747 | 5 783 000 | 13% |
| Withdrawal rates (- 50%) | 5 116 747 | 6 074 000 | 19% |

Sensitivity Analysis on the Current-service and Interest Costs

| Assumption | Current Service Cost (R) | Interest Cost (R) | Total (R) | % Change |
|--------------------------------------|--------------------------|-------------------|-----------|----------|
| Estimated for 2017/18 | 448 700 | 425 900 | 874 600 | |
| General salary inflation (+ 1%) | 489 200 | 457 700 | 946 900 | 8% |
| General salary inflation (- 1%) | 412 900 | 397 300 | 810 200 | -7% |
| Discount rate (+ 1%) | 415 700 | 442 500 | 858 200 | -2% |
| Discount rate (- 1%) | 486 600 | 405 800 | 892 400 | 2% |
| Average retirement age (- 2 years) | 396 200 | 361 500 | 757 700 | -13% |
| Average retirement age (+ 2 years) | 503 000 | 482 100 | 985 100 | 13% |
| Withdrawal rates (- 50%) | 594 400 | 507 800 | 1 102 200 | 26% |

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18 EMPLOYEE BENEFITS (CONTINUED)

18.3 Other Pension Benefits

Defined Benefit Plans

Council contributes to the following defined benefit plans:

LA Retirement Fund (Former Cape Joint Pension Fund)

590 953

591 180

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 106.1% (30 June 2015 - 102.4%).

Consolidated Retirement Fund (Former Cape Retirement Fund)

7 728 092

7 138 373

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 100.6% (30 June 2015 - 100.4%).

Total

8 319 045

7 729 553

Both the LA Retirement Fund and Consolidated Retirement Fund are multi-employer plans. Multiple local authorities participate in these multi-employer funds. Multi-employer plans are defined as defined benefit plans. When sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the LA Retirement Fund and Consolidated Retirement Fund are Multi-employer funds defined as defined benefit plan, it will be accounted for as defined contribution plan due to sufficient information not being available.

Defined Contribution Plans

Council contributes to the following defined contribution plans:

Municipal Councillors Pension Fund

176 174

230 638

SAMWU National Provident Fund

2 024 266

2 022 718

Total

2 200 440

2 253 356

The retirement benefit funds are subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

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| 19 NON-CURRENT PROVISIONS | | |
| Provision for Rehabilitation of Landfill-sites | <u>60 730 406</u> | <u>57 040 942</u> |
| The movement in Rehabilitation Provision - Landfill Sites are reconciled as follows: | | |
| Opening Balance | 57 040 942 | 55 933 814 |
| Contribution during the year | 3 720 214 | 1 238 935 |
| Increase/(Decrease) in estimate | 971 864 | (1 138 910) |
| Interest Cost | 2 748 350 | 2 377 845 |
| Expenditure incurred | (30 749) | (131 807) |
| Total | <u>60 730 406</u> | <u>57 040 942</u> |

The calculation for the rehabilitation of the landfill site provision was compiled by an independent qualified engineer in order to determine the present value to rehabilitate the landfill sites at the end of its useful life. The total obligation at year-end can be attributed to the following sites:

| Location | Site Dimensions | Estimated Decommission Date | Current Cost of Rehabilitation | Current Cost of Rehabilitation |
|--------------|----------------------|-----------------------------|--------------------------------|--------------------------------|
| Porterville | 55 022m ² | 2025 | 25 409 821 | 23 861 471 |
| Piketberg | 57 000m ² | 2025 | 28 164 509 | 26 448 669 |
| Aurora | 7 370m ² | 2025 | 4 793 030 | 4 505 127 |
| Redelinghuys | 1 340m ² | 2025 | 2 363 045 | 2 225 675 |
| Total | | | <u>60 730 406</u> | <u>57 040 942</u> |

Total cost and estimated date of decommission of the sites are as follows:

| Location | Estimated Decommission Date | Future Cost of Rehabilitation | Future Cost of Rehabilitation |
|--------------|-----------------------------|-------------------------------|-------------------------------|
| Porterville | 2025 | 36 804 606 | 35 004 937 |
| Piketberg | 2025 | 40 794 607 | 38 800 373 |
| Aurora | 2025 | 6 942 417 | 6 609 051 |
| Redelinghuys | 2025 | 3 422 729 | 3 265 080 |
| Total | | <u>87 964 359</u> | <u>83 679 441</u> |

20 RESERVES

| | | |
|-----------------------------|--------------------------|--------------------------|
| Capital Replacement Reserve | 17 561 500 | 15 230 500 |
| Housing Development Fund | 393 813 | 504 574 |
| Total | <u>17 955 313</u> | <u>15 735 074</u> |

The Capital Replacement Reserve is used to finance future capital expenditure from own funds.

The Housing Development Fund was established in terms of section 15 (5) and 16 of the Housing Act, Act 107 of 1997. The proceeds in this fund are utilised for housing development projects approved by the MEC. Any surplus/(deficit) on the Housing Department in the Statement of Financial Performance is transferred to the Housing Development Fund.

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21 PROPERTY RATES

| | | |
|-----------------------------|-------------------|-------------------|
| Rateable Land and Buildings | 60 109 276 | 55 861 163 |
| Less: Rebates | (3 470 622) | (3 352 716) |
| Total | 56 638 655 | 52 508 447 |

Property rate levied are based on the following rateable valuations:

| | | |
|---------------------------------------|----------------------|----------------------|
| Residential Property | 4 036 031 000 | 3 923 437 000 |
| Commercial Property | 596 226 000 | 571 468 000 |
| Industrial Property | 237 426 000 | 235 186 000 |
| Public Benefits Organisations | 239 351 000 | 239 372 000 |
| Agricultural Purposes | 3 172 035 200 | 3 174 604 200 |
| State - National/ Provincial Services | 4 670 000 | 4 670 000 |
| Municipal Property | 79 636 000 | 78 576 000 |
| Total Valuation | 8 365 375 200 | 8 227 313 200 |

Rate that is applicable to the valuations above:

| | | |
|-----------------------|----------|----------|
| Residential | 1.032c/R | 0.974c/R |
| Commercial/Industrial | 1.135c/R | 1.072c/R |
| Agricultural | 0.258c/R | 0.244c/R |

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to include changes in property values and subdivisions.

The first R 15 000 of the valuation on properties used only for residential purposes are exempted from property rates in terms of the Property Rates Act.

Rates are levied monthly and annually. Monthly rates are payable by the end of the month in which the amount was levied and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but in terms of Council's own policy opted not to collect it.

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| 22 GOVERNMENT GRANTS AND SUBSIDIES | | |
| Unconditional Grants - National Government | 33 319 000 | 30 454 000 |
| Equitable Share | 33 319 000 | 30 454 000 |
| Conditional Grants - National Government | 14 120 042 | 24 123 276 |
| Finance Management Grant (FMG) | 1 475 000 | 1 450 000 |
| Municipal Systems Improvement Grant (MSIG) | " | 940 000 |
| Municipal Infrastructure Grant (MIG) | 9 190 558 | 13 894 511 |
| Expanded Public Works Programme (EPWP) | 1 141 000 | 1 070 000 |
| Integrated National Electrification Programme (INEP) | 2 313 485 | 2 315 031 |
| Accelerated Community Infrastructure Programme (ACIP) | - | 4 453 734 |
| Conditional Grants - Provincial Government | 6 970 171 | 7 293 451 |
| Housing | - | - |
| CDW Contribution | 23 053 | 36 000 |
| Housing Consuming Education | - | 3 880 |
| Finance Management Grant (Provincial) | 73 210 | 1 041 232 |
| Proclaimed Roads | 73 907 | 82 339 |
| Municipal Performance Management Allocation | - | 200 000 |
| Library Services | 6 680 000 | 5 930 000 |
| External Bursary Programme | 120 000 | - |
| Local Government Graduate Internship Allocation | - | - |
| Conditional Grants - Other Grant Providers | 505 829 | 479 807 |
| Cerebos Ltd | 160 402 | 71 549 |
| Chieta | 72 828 | 122 172 |
| LG Seta | 272 599 | 286 086 |
| Total | 54 915 042 | 62 350 534 |
| Disclosed as: | | |
| Government Grants and Subsidies - Operating | 42 606 968 | 42 690 962 |
| Government Grants and Subsidies - Capital | 12 308 074 | 19 659 572 |
| Total | 54 915 042 | 62 350 534 |
| Grants per Vote (MFMA Sec 123 (c)): | | |
| Equitable share | 32 899 000 | 30 454 000 |
| Vote 1 - Municipal Manager | 443 053 | 425 290 |
| Vote 2 - Finance | 1 548 210 | 2 301 942 |
| Vote 3 - Corporate Services | 7 145 427 | 7 278 258 |
| Vote 4 - Technical Services | 12 879 352 | 21 891 044 |
| Total | 54 915 042 | 62 350 534 |

The movements per grant can be summarised as follows:

22.01 Equitable Share

| | | |
|------------------------------------|--------------|--------------|
| Opening Unspent Balance | - | - |
| Grants Received | 33 319 000 | 30 454 000 |
| Transferred to Revenue - Operating | (33 319 000) | (30 454 000) |
| Transferred to Revenue - Capital | - | - |
| Other Movements | - | - |
| Closing Unspent Balance | - | - |

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

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22 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

22.02 Finance Management Grant (FMG)

| | | |
|------------------------------------|-----------|-------------|
| Opening Unspent Balance | - | - |
| Grants Received | - | - |
| Transferred to Revenue - Operating | 1 475 000 | 1 450 000 |
| Transferred to Revenue - Capital | (763 256) | (1 000 000) |
| Other Movements | (711 744) | (450 000) |
| Closing Unspent Balance | - | - |

The Financial Management Grant is a conditional grant to assist municipalities in the implementation of financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The grant also utilised to cover expenditure relating to the Financial

22.03 Municipal Systems Improvement Grant (MSIG)

| | | |
|------------------------------------|---|-----------|
| Opening Unspent Balance | - | - |
| Grants Received | - | 940 000 |
| Transferred to Revenue - Operating | - | (340 000) |
| Transferred to Revenue - Capital | - | (600 000) |
| Other Movements | - | - |
| Closing Unspent Balance | - | - |

The MSIG is a conditional grant used to build in-house capacity to perform municipal functions and stabilise institutional and governance systems.

22.04 Municipal Infrastructure Grant (MIG)

| | | |
|------------------------------------|-------------|--------------|
| Opening Unspent Balance | 306 558 | 1 348 069 |
| Grants Received | 8 884 000 | 12 853 000 |
| Transferred to Revenue - Operating | (621 558) | (2 111 376) |
| Transferred to Revenue - Capital | (8 569 000) | (11 783 135) |
| Other Movements | - | - |
| Closing Unspent Balance | - | 306 558 |

The MIG grant is a conditional grant used to upgrade infrastructure in the municipal area with the main focus on previously disadvantaged areas.

22.05 Expanded Public Works Programme (EPWP)

| | | |
|------------------------------------|-------------|-------------|
| Opening Unspent Balance | - | - |
| Grants Received | 1 141 000 | 1 070 000 |
| Transferred to Revenue - Operating | (1 141 000) | (1 070 000) |
| Transferred to Revenue - Capital | - | - |
| Other Movements | - | - |
| Closing Unspent Balance | - | - |

The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.

22.06 Integrated National Electrification Programme (INEP)

| | | |
|------------------------------------|-------------|-------------|
| Opening Unspent Balance | 684 969 | - |
| Grants Received | 2 000 000 | 3 000 000 |
| Transferred to Revenue - Operating | (284 112) | - |
| Transferred to Revenue - Capital | (2 029 372) | (2 315 031) |
| Other Movements | - | - |
| Closing Unspent Balance | 371 484 | 684 969 |

The INEP grant is a conditional grant to provide capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.

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22 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

22.07 Accelerated Community Infrastructure Programme (ACIP)

| | | |
|------------------------------------|---|-------------|
| Opening Unspent Balance | - | - |
| Grants Received | - | - |
| Transferred to Revenue - Operating | - | 4 453 734 |
| Transferred to Revenue - Capital | - | (547 328) |
| Other Movements | - | (3 906 406) |
| Closing Unspent Balance | - | - |

The ACIP grant is a conditinal grant utilised for the construction of water and sanitaton infrastructure.

22.08 Housing

| | | |
|------------------------------------|---|----------|
| Opening Unspent Balance | - | (80 770) |
| Grants Received | - | 80 770 |
| Transferred to Revenue - Operating | - | - |
| Transferred to Revenue - Capital | - | - |
| Other Movements | - | - |
| Closing Unspent Balance | - | - |

Housing grants was utilised for the development of erven and the erection of top structures.

22.09 CDW Contribution

| | | |
|------------------------------------|----------|----------|
| Opening Unspent Balance | - | - |
| Grants received | - | - |
| Transferred to Revenue - Operating | 37 000 | 36 000 |
| Transferred to Revenue - Capital | (23 053) | (36 000) |
| Other Movements | - | - |
| Closing Unspent Balance | 13 947 | - |

The CDW Contribution was used to finance the activities of Community Development Workers.

22.10 Housing Consuming Education

| | | |
|------------------------------------|---|---------|
| Opening Unspent Balance | - | 3 880 |
| Grants received | - | - |
| Transferred to Revenue - Operating | - | - |
| Transferred to Revenue - Capital | - | (3 880) |
| Other Movements | - | - |
| Closing Unspent Balance | - | - |

The Housing Consuming Education Grant was used for public awareness programs.

22.11 Finance Management Grant (Provincial)

| | | |
|------------------------------------|----------|-------------|
| Opening Unspent Balance | 73 210 | 51 942 |
| Grants received | - | 1 062 500 |
| Transferred to Revenue - Operating | (73 210) | (1 041 232) |
| Transferred to Revenue - Capital | - | - |
| Other Movements | - | - |
| Closing Unspent Balance | - | 73 210 |

The Finance Management Grant was used for upgrading of financial system, reviewing of budget related policies, supply chain databases cleansing, risk management and internal audit services.

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22 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

22.12 Proclaimed Roads

| | | |
|---|----------|----------|
| Opening Unspent Balance | - | - |
| Grants received | 73 907 | 82 339 |
| Transferred to Revenue - Operating | (73 907) | (82 339) |
| Transferred to Revenue - Capital | - | - |
| Other Movements | - | - |
| Closing Unspent Balance | - | - |
| The grant was used for maintenance of provincial roads. | | |

22.13 Municipal Performance Management Allocation

| | | |
|---|---|-----------|
| Opening Unspent Balance | - | - |
| Grants received | - | 200 000 |
| Transferred to Revenue - Operating | - | (200 000) |
| Transferred to Revenue - Capital | - | - |
| Other Movements | - | - |
| Closing Unspent Balance | - | - |
| The grant was used for transport to Nelson Mandela memorial service in Cape Town. | | |

22.14 Library Services

| | | |
|---|-------------|-------------|
| Opening Unspent Balance | - | - |
| Grants Received | 6 680 000 | 5 930 000 |
| Transferred to Revenue - Operating | (5 842 444) | (5 325 000) |
| Transferred to Revenue - Capital | (837 556) | (605 000) |
| Other Movements | - | - |
| Closing Unspent Balance | - | - |
| The Library Services (Municipal Replacement Fund) Grant is used to pay the salaries of library staff. | | |

22.15 External Bursary Programme

| | | |
|------------------------------------|-----------|---|
| Opening Unspent Balance | - | - |
| Grants Received | 120 000 | - |
| Transferred to Revenue - Operating | (120 000) | - |
| Transferred to Revenue - Capital | - | - |
| Other Movements | - | - |
| Closing Unspent Balance | - | - |

The purpose of the grant is to develop financial human capacity within the municipal areas to enable sustainable local financial skills pipeline that is responsive to municipalities' requirements to enable sound and sustainable financial management and good financial governance.

22.16 Local Government Graduate Internship Allocation

| | | |
|------------------------------------|--------|---|
| Opening Unspent Balance | - | - |
| Grants Received | 60 000 | - |
| Transferred to Revenue - Operating | - | - |
| Transferred to Revenue - Capital | - | - |
| Other Movements | - | - |
| Closing Unspent Balance | 60 000 | - |

This grant will be utilised for the recruitment of interns.

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| 22 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED) | | |
| 22.17 Cerebos Ltd | | |
| Opening Unspent Balance | 46 587 | 83 136 |
| Grants Received | - | 35 000 |
| Transferred to Revenue - Operating | - | (71 549) |
| Transferred to Revenue - Capital | (160 402) | - |
| Other Movements | 113 815 | - |
| Closing Unspent Balance | <u>46 587</u> | <u>46 587</u> |
| This grant is for the developing of a sport field at Piketberg. | | |
| 22.18 Chieta | | |
| Opening Unspent Balance | 12 828 | - |
| Grants Received | 60 000 | 135 000 |
| Transferred to Revenue - Operating | (72 828) | (122 172) |
| Transferred to Revenue - Capital | - | - |
| Other Movements | - | - |
| Closing Unspent Balance | <u>12 828</u> | <u>12 828</u> |
| This grant is for the training and development of municipal officials | | |
| 22.19 LG Seta | | |
| Opening Unspent Balance | - | - |
| Grants Received | 272 599 | 286 086 |
| Transferred to Revenue - Operating | (272 599) | (286 086) |
| Transferred to Revenue - Capital | - | - |
| Other Movements | - | - |
| Closing Unspent Balance | <u>-</u> | <u>-</u> |
| This grant is for the training and development of municipal officials | | |
| 22.15 Total Grants | | |
| Opening Unspent Balance | 1 124 153 | 1 406 257 |
| Grants Received | 54 122 506 | 62 068 429 |
| Transferred to Revenue - Operating | (42 606 968) | (42 690 962) |
| Transferred to Revenue - Capital | (12 308 074) | (19 659 572) |
| Other Movements | 113 815 | - |
| Closing Unspent Balance | <u>445 432</u> | <u>1 124 153</u> |
| 23 FINES | | |
| Traffic Fines | 9 763 767 | 7 430 488 |
| Library Fines | 15 980 | 16 297 |
| Total | <u>9 779 747</u> | <u>7 446 785</u> |
| As previously reported | | 7 001 397 |
| Correction fo error restatement - note 40.2 | | 445 388 |
| Restated balance | | <u>7 446 785</u> |
| In terms of the requirements of GRAP 23 and IGRAP 1, all traffic fines issued during the year less any cancellations or reductions identified are recognised as revenue. | | |

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| 24 ACTUARIAL GAINS | | |
| Post Retirement Medical Benefits | 5 848 370 | - |
| Long Service Awards | 491 494 | 268 929 |
| Total | 6 339 864 | 268 929 |
| 25 SERVICE CHARGES | | |
| Electricity | 95 504 833 | 89 340 020 |
| Water | 26 436 483 | 25 283 278 |
| Refuse Removal | 22 694 138 | 20 717 770 |
| Sewerage and Sanitation | 13 562 572 | 12 470 763 |
| Total Revenue | 158 198 025 | 147 811 830 |
| Less: Rebates | (8 672 140) | (7 659 949) |
| Electricity | (828 097) | (709 788) |
| Water | (1 647 485) | (1 395 761) |
| Refuse Removal | (3 714 458) | (3 321 450) |
| Sewerage and Sanitation | (2 482 101) | (2 232 951) |
| Total | 149 525 885 | 140 151 881 |
| As previously reported | | 138 273 460 |
| Correction of error restatement - note 40.1 | | 1 568 269 |
| Correction of error restatement - note 40.2 | | 310 152 |
| Restated balance | | 140 151 881 |
| Rebates can be defined as any income that the Municipality is entitled to levy, but in terms of Council's own policy opted not to collect it. | | |
| 26 RENTAL OF FACILITIES AND EQUIPMENT | | |
| Buildings | 347 032 | 249 638 |
| Commonage | 593 722 | 134 047 |
| Caravan Parks | 4 013 351 | 3 908 141 |
| Total | 4 954 106 | 4 291 825 |
| 27 LICENCES AND PERMITS | | |
| Drivers Licences | 1 094 727 | 867 791 |
| Roadworthy Certificates | 435 496 | 351 290 |
| Total | 1 530 223 | 1 219 081 |
| As previously reported | | 2 091 634 |
| Reclassification - note 41.2 | | (777 243) |
| Reclassification - note 41.2 | | (95 310) |
| Restated balance | | 1 219 081 |

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| 28 OTHER INCOME | | |
| Administration Fees | 5 678 | 7 924 |
| Building Plan Fees | 1 035 172 | 777 243 |
| Cemetery | 336 297 | 300 704 |
| Copies and Faxes | 57 542 | 57 027 |
| Private Works | 2 807 | 1 384 |
| Profit with sale of land held for sale | | 35 088 |
| Sale of Refuse Bags | 4 311 | 3 051 |
| Street Traders | 99 376 | 95 310 |
| Sundry Income | 1 327 379 | 1 200 764 |
| Surplus Cash | 3 237 | 816 |
| Swimming Pools | 27 954 | 31 484 |
| Total | 2 899 754 | 2 510 796 |
| As previously reported | | 1 645 390 |
| Reclassification - note 41.2 | | 777 243 |
| Reclassification - note 41.2 | | 95 310 |
| Reclassification - note 41.2 | | (7 148) |
| Restated balance | | 2 510 796 |
| 29 EMPLOYEE RELATED COSTS | | |
| Basic Salaries and Wages | 63 678 971 | 59 150 654 |
| Pension and UIF Contributions | 10 807 951 | 10 184 082 |
| Medical Aid Contributions | 4 395 312 | 4 260 630 |
| Overtime | 4 677 993 | 4 007 925 |
| Motor Vehicle Allowance | 3 957 262 | 3 808 912 |
| Housing Allowances | 1 322 022 | 1 350 870 |
| Other benefits and allowances | 4 633 660 | 4 089 988 |
| Acting Allowance | 778 349 | 835 731 |
| Bargaining Council Levy | 37 516 | 34 568 |
| Group Life Insurance | 1 031 495 | 928 256 |
| Standby Allowance | 2 744 967 | 2 291 433 |
| Sundry Allowances | 41 333 | - |
| Contributions to Employee Benefits | 8 262 441 | 7 971 334 |
| Bonuses | 4 766 950 | 4 424 560 |
| Staff Leave | 971 823 | 1 180 507 |
| Long Service Awards | 463 903 | 439 518 |
| Post Retirement Medical Benefits | 2 059 765 | 1 926 749 |
| Workmen's Compensation | 506 152 | 456 723 |
| Total | 102 241 763 | 95 281 118 |
| As previously reported | | 96 066 313 |
| Reclassification - note 41.2 | | (785 195) |
| Restated balance | | 95 281 118 |

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29 EMPLOYEE RELATED COSTS (CONTINUED)

Remuneration of Management Personnel

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

Municipal Manager - Adv H Linde

| | | |
|---|------------------|------------------|
| Annual Remuneration | 1 140 659 | 1 076 176 |
| Travelling Allowance | 90 990 | 90 000 |
| Contributions to UIF, Medical and Pension Funds | 219 013 | 230 740 |
| Total | 1 450 661 | 1 396 916 |

Chief Financial Officer - Mr JA van Niekerk (retired March 2017)

| | | |
|---|------------------|------------------|
| Annual Remuneration | 485 651 | 648 568 |
| Travelling Allowance | 93 627 | 98 962 |
| Contributions to UIF, Medical and Pension Funds | 130 189 | 151 382 |
| Housing Subsidy | 123 282 | 127 471 |
| Service Bonus | 63 114 | 50 491 |
| Long Service Award | - | 52 094 |
| Leave | 185 195 | - |
| Total | 1 081 057 | 1 128 968 |

Director: Corporate Services - Mr JWA Kotzee

| | | |
|---|------------------|------------------|
| Annual Remuneration | 625 335 | 633 162 |
| Travelling Allowance | 180 377 | 96 000 |
| Contributions to UIF, Medical and Pension Funds | 160 822 | 164 616 |
| Housing Subsidy | 164 762 | 171 026 |
| Service Bonus | - | - |
| Total | 1 131 296 | 1 064 805 |

Director: Technical Services - Mr H Krohn

| | | |
|---|------------------|------------------|
| Annual Remuneration | 709 266 | 647 502 |
| Travelling Allowance | 96 000 | 96 000 |
| Contributions to UIF, Medical and Pension Funds | 178 437 | 166 184 |
| Housing Subsidy | 132 828 | 132 828 |
| Service Bonus | 40 000 | 40 000 |
| Total | 1 156 530 | 1 082 513 |

Chief Financial Officer - Mr GJ Goliath (appointed April 2017)

| | | |
|---|----------------|----------|
| Annual Remuneration | 177 837 | - |
| Travelling Allowance | 30 553 | - |
| Contributions to UIF, Medical and Pension Funds | 29 903 | - |
| Total | 238 294 | - |

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30 REMUNERATION OF COUNCILLORS

| | | | |
|------------------|--------------------------|------------------|------------------|
| Ald JA Raats | - terminated August 2016 | 69 837 | 643 523 |
| Cllr WJ Dirks | - terminated August 2016 | 27 761 | 249 349 |
| Cllr JC Botha | - terminated August 2016 | 32 823 | 284 594 |
| Ald RM van Rooy | | 528 385 | 544 730 |
| Cllr DJ Smith | - terminated August 2016 | 112 312 | 249 349 |
| Cllr CJ Snyders | - terminated August 2016 | 30 836 | 274 194 |
| Ald SM Crafford | | 626 809 | 627 278 |
| Ald EB Manuel | | 789 447 | 806 179 |
| Ald A de Vries | | 627 346 | 595 295 |
| Cllr SR Claassen | | 276 274 | 249 349 |
| Ald SIJ Smit | | 259 387 | 255 327 |
| Cllr A Maarman | - terminated August 2016 | 27 761 | 249 349 |
| Cllr C Snyders | - terminated August 2016 | 27 761 | 252 998 |
| Cllr J Daniels | - elected August 2016 | 240 289 | - |
| Cllr AJ Du Plooy | - elected August 2016 | 237 607 | - |
| Ald JJ Josephus | - August 2016 - May 2017 | 209 092 | - |
| Cllr A Small | - elected August 2016 | 225 594 | - |
| Cllr MA Wessels | - elected August 2016 | 551 289 | - |
| Ald J Swart | - elected August 2016 | 232 765 | - |
| Cllr SS Lesch | - elected August 2016 | 225 594 | - |
| Total | | 5 358 968 | 5 281 515 |

| | Salary | Travel Allowance | Other Allowances | Contributions | Total |
|-----------------------------|------------------|------------------|------------------|----------------|------------------|
| 2017 | | | | | |
| Mayor | 478 088 | 201 176 | 21 190 | 88 993 | 789 447 |
| Deputy-Mayor | 394 969 | 151 405 | 21 190 | 59 245 | 626 809 |
| Speaker | 645 839 | 21 635 | 23 513 | 6 196 | 697 183 |
| Executive Committee Members | 757 786 | 195 979 | 38 095 | 87 814 | 1 079 674 |
| Councillors | 1 623 531 | 209 702 | 173 761 | 158 862 | 2 165 856 |
| Total | 3 900 213 | 779 896 | 277 750 | 401 110 | 5 358 968 |
| 2016 | | | | | |
| Mayor | 479 329 | 216 802 | 20 868 | 89 180 | 806 179 |
| Deputy-Mayor | 395 485 | 151 603 | 20 868 | 59 323 | 627 278 |
| Speaker | 380 459 | 167 848 | 20 868 | 74 349 | 643 523 |
| Executive Committee Members | 912 847 | 136 201 | 39 997 | 50 981 | 1 140 026 |
| Councillors | 1 428 974 | 355 318 | 166 944 | 113 273 | 2 064 508 |
| Total | 3 597 094 | 1 027 771 | 269 545 | 387 104 | 5 281 515 |

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Executive Committee member serve in a full-time capacity. They are provided with secretarial support and an office each at the cost of the Council.

Councillors may utilize municipal transportation when engaged in official duties

31 DEBT IMPAIRMENT

| | | |
|---|-------------------|------------------|
| Receivables from Exchange Transactions | 2 972 829 | 3 579 522 |
| Receivables from Non-Exchange Transactions | 10 062 026 | 4 748 165 |
| Total Debt Impairment | 13 034 855 | 8 327 687 |
| Movement in VAT included in debt impairment | (245 548) | (153 693) |
| Total | 12 789 307 | 8 173 994 |
| As previously reported | | 7 764 258 |
| Correction of error restatement - note 40.2 | | 409 736 |
| Restated balance | | 8 173 994 |

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|--|-------------------|-------------------|
| 32 DEPRECIATION AND AMORTISATION | | |
| Property, Plant and Equipment | 18 977 221 | 17 177 952 |
| Intangible Assets | 395 218 | 335 848 |
| Total | 19 372 439 | 17 513 800 |
| As previously reported | | 17 521 385 |
| | | (7 585) |
| Restated balance | | 17 513 800 |
| 33 REPAIRS AND MAINTENANCE | | |
| Property, Plant and Equipment | | |
| Total | | |
| As previously reported | | 6 443 170 |
| Reclassification - note 41.1 | | (6 443 170) |
| Restated balance | | |
| Repairs and maintenance by nature is included in Other Expenditure. Refer to note 10 for Repairs and Maintenance incurred in relation to Property, Plant and Equipment. | | |
| 34 ACTUARIAL LOSSES | | |
| Post Retirement Medical Benefits | | 885 426 |
| Long Service Awards | | |
| Total | | 885 426 |
| 35 FINANCE CHARGES | | |
| Cash | 6 011 840 | 5 798 289 |
| Long-term Liabilities | 6 011 840 | 5 798 289 |
| Non-cash | 6 650 535 | 5 784 110 |
| Post Retirement Medical Benefits | 3 477 061 | 3 023 731 |
| Long Service Awards | 425 125 | 382 534 |
| Rehabilitation of Landfill Sites | 2 748 350 | 2 377 845 |
| Total | 12 662 376 | 11 582 399 |
| 36 BULK PURCHASES | | |
| Electricity | 74 733 321 | 67 608 960 |
| Water | 5 760 241 | 5 420 540 |
| Total | 80 493 562 | 73 029 500 |
| Bulk Purchases are the cost of commodities not generated by the Municipality, which the Municipality distributes in the municipal area for re-sale to consumers. Electricity is purchased from Eskom and water is purchased from a variety of suppliers including DWA and a number of private suppliers. | | |
| 37 TRANSFERS AND GRANTS | | |
| Grants-in-aid and Donations | 3 550 890 | 3 214 250 |
| Total | 3 550 890 | 3 214 250 |

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|--|-------------------|-------------------|
| 38 OTHER EXPENDITURE | | |
| Advertisement | 684 727 | 737 436 |
| Audit Fees | 2 279 466 | 2 476 535 |
| Bank Charges | 530 002 | 435 488 |
| Books | 19 620 | 38 134 |
| Cemetery | 837 | 1 025 |
| Chemicals | 808 076 | 636 761 |
| Entertainment | 372 673 | 286 107 |
| Fuel | 3 114 733 | 2 760 103 |
| Impact Studies | 673 604 | 471 692 |
| Insurance | 699 055 | 1 204 495 |
| Legal Fees | 4 351 | (27 302) |
| Licensing | 686 780 | 587 331 |
| Lost Books | - | 9 579 |
| Maintenance Materials | 5 124 226 | 4 580 253 |
| Maintenance Service Providers | 3 438 227 | 3 506 135 |
| Membership Fees | 1 119 895 | 1 053 837 |
| Planning and Development | 161 505 | 61 182 |
| Postage | 554 838 | 586 617 |
| Printing | 261 625 | 255 801 |
| Professional Fees | 10 470 653 | 10 822 217 |
| Projects | 74 822 | 71 432 |
| Protective Clothing | 527 573 | 446 420 |
| RDP Housing Construction Fees | - | 203 440 |
| Refuse Bags | 1 092 160 | 903 539 |
| Rent Buildings | 105 600 | 66 000 |
| Rent Equipment | 129 112 | 111 312 |
| Skills Development Levy | 850 591 | 785 195 |
| Sport Fields | 185 123 | 173 520 |
| Stationary | 862 076 | 796 207 |
| Sundries | 1 299 717 | 1 094 495 |
| Telephone Costs | 1 677 567 | 1 277 403 |
| Training | 1 162 122 | 1 318 771 |
| Travel and Entertainment | 1 096 844 | 1 000 240 |
| Trees | 21 028 | 22 086 |
| Unions | 100 905 | 106 913 |
| Valuations | 12 368 | 6 711 |
| Fertilizer | 25 073 | 19 635 |
| Ward Committee | 227 789 | 253 992 |
| Total | 40 455 363 | 39 140 739 |
| As previously reported | | 31 513 759 |
| Correction of error restatement - note 40.3 | | (102 641) |
| Correction of error restatement - note 40.4 | | 124 561 |
| Correction of error restatement - note 40.5 | | 540 039 |
| Correction of error restatement - note 40.6 | | (163 344) |
| Reclassification - note 41.1 | | 6 443 170 |
| Reclassification - note 41.2 | | 785 195 |
| Restated balance | | 39 140 739 |
| 39 GAIN/(LOSS) ON DISPOSAL OF NON-MONETARY ASSETS | | |
| Proceeds | 471 929 | 105 263 |
| Less: Carrying value of Investment Property disposed | (20 000) | - |
| Less: Carrying value of Property, Plant and Equipment disposed | (65 000) | (36 715) |
| Less: Carrying value of Intangible Assetss disposed | (450 000) | - |
| Total | (63 071) | 68 548 |

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40 PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR

40.1 Receivables from Exchange Transactions

It was noted that the journals pertaining to the provision of certain accounts, and the reversal of said provisions was done incorrectly. The provision accounts affected are as follow:

- Eskom June's usage billed in July
- Conlog's June's usage only in July
- Pre-paid electricity sold prior to year-end, but still unused as on 30 June

The net effect of the above-mentioned errors were as follow:

| | | |
|---|-------------|-----------|
| - Receivables from Exchange Transactions - note 3 | Understated | 1 501 795 |
| - Payables from exchange transactions - note 15 | Understated | 52 744 |
| - Service Charges - note 25 | Understated | 1 568 269 |
| - Accumulated Surplus - note 40.6 | Overstated | (119 218) |

40.2 Receivables from Non-Exchange Transactions

Receivables from non-exchange transactions contained the following errors:

- The initial provision for auxillary deductions was done incorrectly.
- In the prior year a new service provider was appointed for speed camera fines. In the current year it was noted that not all fines were recorded due to missing sequences. Both Fines and Debt Impairment was therefore understated.

The net effect of the above-mentioned errors were as follow:

| | | |
|---|-------------|-----------|
| - Receivables from Non-Exchange Transactions - note 4 | Overstated | (269 205) |
| - Fines - note 23 | Understated | 445 388 |
| - Service Charges - note 25 | Understated | 310 152 |
| - Debt Impairment - note 31 | Understated | 409 736 |
| - Accumulated Surplus - note 40.6 | Overstated | (615 009) |

40.3 Taxes

A VAT recovery exercise was undertaken in the current year. This exercise revealed that Input VAT was not claimed on certain valid taxable invoices.

The net effect of the above-mentioned errors were as follow:

| | | |
|---|-------------|-----------|
| - Taxes - note 5 | Understated | 580 319 |
| - Payables from exchange transactions - note 15 | Understated | 166 593 |
| - Other Expenditure - note 38 | Overstated | (102 641) |
| - Accumulated Surplus - note 40.7 | Understated | 311 085 |

40.4 Inventory

The inventory listing of 30 June 2016 contained errors. The errors were mainly due to the quantities that did not agree to the quantities as per the physical stock take. In addition, it was also noted that an item of Property, Plant and Equipment was included both the asset register and inventory listing. The said item was removed from the inventory listing.

The net effect of the above-mentioned errors were as follow:

| | | |
|-----------------------------------|-------------|-----------|
| - Inventory - note 8 | Overstated | (184 561) |
| - Other Expenditure - note 38 | Understated | 124 561 |
| - Accumulated Surplus - note 40.7 | Overstated | (60 000) |

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40 PRIOR PERIOD ADJUSTMENTS - CORRECTION OF ERROR (CONTINUED)

40.5 Property, Plant and Equipment

The following corrections were made to the fixed asset register.

- Assets with a nominal value was revalued using the depreciation cost method.
- Asset with a R0.00 book value which are still in use were adjusted in accordance with their remaining useful lives.
- Items that did not meet the definition of Property, Plant and Equipment in terms of GRAP17 was removed.

The net effect of the above-mentioned errors were as follow:

| | | |
|---|-------------|-----------|
| - Property, Plant and Equipment - note 10 | Overstated | (328 267) |
| - Depreciation and Amortisation - note 32 | Overstated | (7 585) |
| - Other Expenditure - note 38 | Understated | 540 039 |
| - Accumulated Surplus - note 40.7 | Understated | 204 187 |

40.6 Payables from Exchange Transactions

In the prior year services were received prior to year-end, and the said services were accrued based on the quotation amount as the invoices were not yet received prior to year-end. However, when the invoices were received after year-end, the invoiced amounts were less than the amount accrued for at year-end.

The net effect of the above-mentioned errors were as follow:

| | | |
|---|------------|-----------|
| - Taxes - note 5 | Overstated | (186 212) |
| - Payables from exchange transactions - note 15 | Overstated | (22 868) |
| - Other Expenditure - note 38 | Overstated | (163 344) |

40.7 Accumulated Surplus

| | |
|--|------------------|
| Receivables from Exchange Transactions - note 40.1 | (119 218) |
| Receivables from Non-Exchange Transactions - note 40.2 | (615 009) |
| Taxes - note 40.3 | 311 085 |
| Inventory - note 40.4 | (60 000) |
| Property, Plant and Equipment - note 40.5 | 204 187 |
| Total | <u>(278 955)</u> |

41 PRIOR PERIOD ADJUSTMENTS - RECLASSIFICATIONS

41.1 Repairs and Maintenance

In the current year the Accounting Standards Board (ASB) issued a FAQ which states that the line item "Repairs and Maintenance" is no longer permitted in the Statement of Financial Performance, and that the said expenditure should be reclassified by it's nature. Accordingly all "Repairs and Maintenance" expenditure was reallocated to "Other Expenditure" and classified by their nature as follow:

| | |
|-------------------------------|------------------|
| Maintenance Materials | 3 257 192 |
| Maintenance Service Providers | 3 185 978 |
| Total | <u>6 443 170</u> |

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41 PRIOR PERIOD ADJUSTMENTS - RECLASSIFICATIONS (CONTINUED)

41.2 Revenue and Expenditure

The following items were reclassified in order to be aligned to the nature of the revenue or expenditure item.

| Item | Previous Classification | Revised Classification | Amount |
|-------------------------|-------------------------|------------------------|---------|
| Building Plan Fees | Licences and Permits | Other Income | 777 243 |
| Street Traders | Licences and Permits | Other Income | 95 310 |
| Insurance Receipts | Other Income | Insurance Receipts | 7 148 |
| Skills Development Levy | Employee Related Costs | Other Expenditure | 785 195 |

41 NET CASH FROM OPERATING ACTIVITIES

| | | |
|--|--------------|--------------|
| Net Surplus for the year | 22 186 030 | 26 994 046 |
| Adjusted for: | | |
| Non-cash revenue included in Net Surplus | (6 326 392) | (332 009) |
| Actuarial Gains | (6 339 864) | (268 929) |
| Rental of Facilities and Equipment - decrease in operating lease asset | 13 472 | 5 468 |
| Gain on disposal of Non-Monetary Assets | - | (68 548) |
| Non-cash expenditure included in Net Surplus | 47 137 793 | 40 328 663 |
| Employee Related Costs - Contributions towards | 8 262 441 | 7 971 334 |
| Post Retirement Medical Benefits | 2 059 765 | 1 926 749 |
| Long Service Awards | 463 903 | 439 518 |
| Bonuses | 4 766 950 | 4 424 560 |
| Staff Leave | 971 823 | 1 180 507 |
| Debt Impairment | 12 789 307 | 8 173 994 |
| Depreciation and Amortisation | 19 372 439 | 17 513 800 |
| Actuarial Losses | - | 885 426 |
| Finance Charges | 6 650 535 | 5 784 110 |
| Post Retirement Medical Benefits | 3 477 061 | 3 023 731 |
| Long Service Awards | 425 125 | 382 534 |
| Provision for Rehabilitation of Landfill-sites | 2 748 350 | 2 377 845 |
| Loss on disposal of Non-Monetary Assets | 63 071 | - |
| Cash expenditure not included in Net Surplus | (6 717 349) | (6 472 601) |
| Post Retirement Medical Benefits | (1 153 759) | (1 070 419) |
| Long Service Awards | (352 337) | (463 193) |
| Bonuses | (4 596 402) | (4 315 038) |
| Staff Leave | (584 102) | (492 144) |
| Provision for Rehabilitation of Landfill-sites | (30 749) | (131 807) |
| Operating Surplus before changes in working capital | 56 280 083 | 60 518 100 |
| Movement in working capital | (15 391 934) | (14 087 723) |
| Receivables from Exchange Transactions | (9 760 327) | (2 840 061) |
| Receivables from Non-Exchange Transactions | (12 087 506) | (8 479 234) |
| Inventory | 170 600 | (127 522) |
| Long-term Receivables | 1 220 658 | (1 446 866) |
| Payables from exchange transactions | 5 477 055 | 642 903 |
| Unspent Conditional Government Grants | (678 721) | (282 105) |
| Taxes | 266 307 | (1 554 838) |
| Cash Flow from Operating Activities | 40 888 148 | 46 430 377 |

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42 CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents comprise out of the following:

| | | |
|--------------------------|-------------------|-------------------|
| Primary Bank Account | 76 050 999 | 60 024 814 |
| Call and Notice Deposits | 6 022 041 | 5 627 255 |
| Cash Floats | 7 450 | 7 450 |
| Total | 82 080 490 | 65 659 520 |

Refer to note 2 for more details relating to cash and cash equivalents.

43 BUDGET COMPARISONS

43.1 Comparable Basis

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats.

The following items are affected by these classification differences:

Statement of Financial Position

Consumer Debtors consist out of both Receivables from Exchange Transactions as well as the Rates Receivable.

Other Receivables incorporate all other current receivable balances not specifically provided for in the National Treasury formats.

Trade and Other Payables incorporates Payable from exchange transactions, Unspent grants, Unspent public contributions, Taxes and Operating lease liabilities.

Employee Benefits and Provisions (Current and Non-Current) are included under the provisions line item in the budget statements.

Statement of Financial Performance

The statement of financial performance is comparable on a line by line basis except for the following items:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Revenue in the budget statement.

Depreciation and Amortisation and Impairments are aggregated on the budget statements while it is shown separately on the Statement of Financial Performance.

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other Expenditure in the budget statement.

Skills Development Levy is included under Employee Related Costs for the budget comparison, whereas for GRAP purposes this expenditure is included under Other Expenditure.

Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis.

43.2 Statement of Financial Position

Adjustments to Original Budget

Items in the State of Financial Position were adjusted to take into account adjustments made to the operating and capital budget and also to align balances with the actual audit outcomes of 2015/16.

Both Cash and Call Investment Deposits were adjusted to align with the respective maturity dates of investments.

Consumer Debtors were decreased due the an increase in debt impairment based on revised projections.

Property, Plant and Equipment decreased due to the decrease in MIG allocations.

Borrowings (current) was increased as the short-term portion of the loan was not budgeted for separately.

Payables was adjusted in order to be in line with the audit outcome and projected expenditure.

Borrowings (non-current) was increased as the short-term portion of the loan was not budgeted for separately.

Accumulated Surplus was adjusted to take into account budget adjustments made to the Statement of Financial Performance.

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43 BUDGET COMPARISONS (CONTUED)

Actual Amounts vs Final Budget

Cash was more than budgeted due to saving in expenditure and more interest earned on investment.

Consumer Debtors was more than budget due to a change in payment date from the 25th to the last working day of the month.

Trade and Other Payables was more than budget due to projections being too aggressive.

Provisions and Employee Benefits was less than budget due to actuarial gains.

Accumulated Surplus was more than budget due to variances as discussed under the Statement of Financial Performance.

43.3 Statement of Financial Performance

Adjustments to Original Budget

Fines was increased in line with the actual audit outcome of 2015/16.

Debt Impairment was increased to make provision for the unrecoverable percentage in relation with the Fine increases.

Both Service Charges (Electricity) and Bulk Purchases were adjusted due to an increase in demand.

Transfer Recognised (Capital) was adjusted due to a decrease in MIG allocation.

Actual Amounts vs Final Budget

Service Charges - Electricity Revenue was less than budgeted due to the reversal of internal charges which is not permitted in terms of GRAP.

The Housing Grant revenue is budgeted as revenue, but for GRAP purposes the Housing grants is treated as an agency. Accordingly, no grant revenue is recognised in the Statement of Financial Performance.

Other Revenue was more than budget due to actuarial gain included in budget as one can not budget for the said item.

Employee Related Costs were less than budgeted as not all vacant post were filled in the current year.

Expenditure relating to the Housing Grant was budgeted under Other Expenditure. For GRAP purposes the Housing Grant is treated as an agency function and accordingly the related expenditure is not recognised in the Statement of Financial Performance.

43.4 Cash Flow Statement

Adjustments to Original Budget

Service Charges were increased due to the increase in electricity demand.

Both Government Grants and Capital Assets were decreased to take into account the reduced MIG allocation.

Suppliers and Employees were increased due to the increase in bulk purchases as a result of an increased demand.

Finance Charges was adjusted due to the Original Budget which incorrectly included non-cash interest.

Actual Amounts vs Final Budget

Service Charges was less than budget due to the reversal of internal charges as required per GRAP.

Government Receipts were less than budget due to the Housing Grant being treated as an agency per GRAP requirements.

Suppliers and Employees were less than budget due to the Housing Grant being treated as an agency.

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44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

44.1 Unauthorised Expenditure

Unauthorised expenditure can be reconciled as follow:

| | | |
|---|-------------|------------------|
| Opening balance | 2 438 153 | 3 705 846 |
| Unauthorised expenditure current year - operating | - | 2 438 153 |
| Unauthorised expenditure current year - capital | - | - |
| Approved by Council | (2 438 153) | (3 705 846) |
| Unauthorised expenditure awaiting further action | - | 2 438 153 |

Unauthorised expenditure only relates to expenditure in excess of approved budget votes. No disciplinary steps or criminal proceedings were instituted as a result of unauthorised expenditure incurred. Refer below for votes of which the expenditure was in excess of the approved budget:

| | 2017 (Actual) R | 2017 (Final Budget) R | 2017 (Unauthorised) R | 2016 (Unauthorised) R |
|---|-----------------------|-----------------------------|-----------------------------|-----------------------------|
| Unauthorised expenditure - Operating | | | | |
| Vote 1 - Municipal Manager | 18 158 116 | 21 389 620 | - | - |
| Vote 2 - Finance | (728 733) | 2 512 429 | - | - |
| Vote 3 - Corporate Services | 50 306 607 | 50 429 019 | - | 2 438 153 |
| Vote 4 - Technical Services | 209 251 750 | 243 351 628 | - | - |
| Total | 276 987 740 | 317 682 696 | - | 2 438 153 |
| Unauthorised expenditure - Capital | | | | |
| Vote 1 - Municipal Manager | 154 175 | 166 000 | - | - |
| Vote 2 - Finance | 1 879 039 | 1 880 000 | - | - |
| Vote 3 - Corporate Services | 7 369 310 | 7 629 519 | - | - |
| Vote 4 - Technical Services | 18 420 175 | 19 468 812 | - | - |
| Total | 27 822 698 | 29 144 331 | - | - |

44.2 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure can be reconciled as follow:

| | | |
|---|----------|----------|
| Opening balance | - | 1 600 |
| Fruitless and wasteful expenditure incurred | - | - |
| Approved by Council | - | (1 600) |
| Fruitless and wasteful expenditure awaiting further action | - | - |

Details of fruitless and wasteful expenditure incurred

(a) No fruitless and wasteful expenditure incurred

| | | |
|--------------|----------|----------|
| Total | - | - |
|--------------|----------|----------|

No disciplinary steps or criminal proceedings were instituted as a result of fruitless and wasteful expenditure incurred.

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44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (CONTINUED)

44.3 Irregular Expenditure

Irregular expenditure can be reconciled as follow:

| | | |
|--|-------------|------------------|
| Opening balance | 2 856 631 | 691 068 |
| Irregular expenditure incurred - current year | " | 2 856 631 |
| Approved by Council | (2 856 631) | (691 068) |
| Irregular expenditure awaiting further action | - | 2 856 631 |

Details of irregular expenditure incurred

| | | |
|---|----------|------------------|
| (a) Transaction entered into with a supplier whose director/principal shareholder is in the service of the state (Section 44 of SCM Regulation) | - | 26 747 |
| (b) Tenders awarded where the quorum of Bid Adjudication Committee was 60% instead of 80% (Section 33(1)(e) of SCM Policy) | - | 1 169 551 |
| (c) Advertised at 80/20 preference point system, but total tender price of all tenders received exceeded R 1 000 000 and should have been cancelled and re-advertised at 90/10 preference point system (Section 8(1)(a) of the preferential procurement policy framework act) | - | 1 660 333 |
| Total | - | 2 856 631 |

No disciplinary steps or criminal proceedings were instituted as a result of irregular expenditure incurred.

45 MATERIAL LOSSES

45.1 Water distribution losses

| | | |
|--|-----------|-----------|
| Kilo litres disinfected/purified/purchased | 2 598 395 | 2 627 992 |
| Kilo litres sold and free basic services | 2 340 347 | 2 351 231 |
| Kilo litres lost during distribution | 258 048 | 276 761 |
| Percentage lost during distribution | 9.93% | 10.53% |
| Distribution loss (Rand Value) | 1 290 240 | 1 286 939 |

Normal pipe bursts and field leakages are responsible for water losses.

45.2 Electricity distribution losses

| | | |
|--|------------|------------|
| Units purchased (Kwh) | 80 203 384 | 78 186 094 |
| Units sold, free basic services and standard friction losses | 73 046 048 | 70 269 724 |
| Units lost during distribution (Kwh) | 7 157 336 | 7 916 370 |
| Percentage lost during distribution | 8.92% | 10.13% |
| Distribution loss (Rand Value) | 6 464 506 | 6 670 136 |

Electricity losses are due to electricity theft on pre-paid meters. Fines were issued for first time offenders.

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46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

46.1 SALGA Contributions [MFMA 125 (1)(b)]

| | | |
|----------------------|-------------|-----------|
| Opening balance | - | - |
| Expenditure incurred | 1 055 981 | 977 301 |
| Payments | (1 055 981) | (977 301) |
| Payments in advance | - | - |

46.2 Audit Fees [MFMA 125 (1)(c)]

| | | |
|----------------------------------|-------------|-------------|
| Opening balance | 3 829 | - |
| Expenditure incurred | 2 346 172 | 2 891 318 |
| External Audit - Auditor-General | 2 279 466 | 2 823 250 |
| Audit Committee | 66 705 | 68 068 |
| Payments | (2 350 000) | (2 887 489) |
| Outstanding Balance | - | 3 829 |

46.3 VAT [MFMA 125 (1)(c)]

| | | |
|------------------------------------|-------------|-------------|
| Opening balance | 3 111 446 | 2 522 477 |
| Net amount claimed during the year | (2 152 882) | (3 570 557) |
| Net amount paid during the year | 2 675 741 | 4 159 526 |
| Outstanding Balance | 3 634 305 | 3 111 446 |

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors. All VAT returns have been submitted by the due date throughout the year.

46.4 PAYE, SDL and UIF [MFMA 125 (1)(c)]

| | | |
|--|--------------|--------------|
| Opening balance | - | - |
| Payroll deductions and Council Contributions during the year | 13 373 332 | 12 256 483 |
| Payments | (13 373 332) | (12 256 483) |
| Outstanding Balance | - | - |

46.5 Pension and Medical Aid Contributions [MFMA 125 (1)(c)]

| | | |
|--|--------------|--------------|
| Opening balance | - | - |
| Payroll deductions and Council Contributions during the year | 24 434 090 | 23 354 153 |
| Payments made to pension and medical fund | (24 434 090) | (23 354 153) |
| Outstanding Balance | - | - |

46.6 Councillors Arrear Accounts [MFMA 124 (1)(b)]

The following Councillor had arrear accounts outstanding for more than 90 days during the year.

| | | |
|---------|-------|---|
| J Swart | 1 591 | - |
|---------|-------|---|

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46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

46.7 Deviations from Supply Chain Management Regulations

Deviations from Supply Chain Management Regulations were identified on the following categories:

| | | |
|--|------------------|-------------------|
| Section 36(1)(a)(i) - Emergencies | 1 436 579 | 992 321 |
| Section 36(1)(a)(ii) - Single provider | 859 051 | 647 657 |
| Section 36(1)(a)(iii) - Specialised services | - | - |
| Section 36(1)(a)(iv) - Acquisition of animals for zoo's | - | - |
| Section 36(1)(a)(v) - Impractical so follow official procurement process | 4 817 433 | 12 536 236 |
| Total | 7 113 062 | 14 176 214 |

Deviations from Supply Chain Management Regulations can be allocated as follow:

| | | |
|-----------------------------|------------------|-------------------|
| Vote 1 - Municipal Manager | 608 055 | 731 672 |
| Vote 2 - Finance | 1 621 778 | 114 555 |
| Vote 3 - Corporate Services | 1 664 998 | 2 903 403 |
| Vote 4 - Technical Services | 3 218 231 | 10 426 584 |
| Total | 7 113 062 | 14 176 214 |

All the deviations were ratified by the Municipal Manager and reported to Council.

47 CAPITAL COMMITMENTS

Approved and contracted for

| | | |
|-------------------|-------------------|------------------|
| | 35 232 989 | 4 107 386 |
| Infrastructure | 29 848 480 | 3 368 503 |
| Intangible Assets | 5 384 509 | 738 883 |

This expenditure will be financed from:

| | | |
|-------------------|-------------------|------------------|
| Government Grants | 31 848 480 | 4 107 386 |
| Own funding | 3 384 509 | - |
| | 35 232 989 | 4 107 386 |

Capital Commitments are disclosed exclusive of Value Added Tax (VAT).

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48 FINANCIAL RISK MANAGEMENT

The Municipality is potentially exposed to the following risks:

48.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The following financial assets are exposed to credit risk:

| | | |
|--|--------------------|--------------------|
| Cash and Cash Equivalents | 82 080 490 | 65 659 520 |
| Receivables from exchange transactions | 46 437 958 | 39 650 460 |
| Long-term Receivables | 2 535 757 | 3 756 415 |
| Total | 131 054 204 | 109 066 394 |

Cash and Cash Equivalents

Deposits of the Municipality is only held at reputable banks that are listed on the JSE. The credit quality is regularly monitored through required SENS releases by the various banks. The risk pertaining to these deposits are considered to be very low.

There are no restrictions on the cash deposits held and no cash were pledged as security. No collateral is held for any cash and cash equivalents.

Receivables from Exchange Transactions

Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Receivables are disclosed after taking into account the provision for impairment raised against each class of receivable.

Receivables are payable within 30 days. All receivables outstanding for more than 30 days are considered to be passed due.

Refer to note 3 for more information regarding the provision for impairment raised against each service type as well as receivables considered to be passed due.

Also refer to note 3 for more information regarding balances renegotiated beyond the original 30 days payment period initially granted.

No receivables were pledged as security for liabilities and no collateral is held from any consumers (other than consumer deposits).

The following service receivables are passed due, but not impaired:

| | | |
|-----------------|-------------------|-------------------|
| Electricity | 4 764 814 | 3 740 395 |
| Water | 7 495 774 | 5 910 432 |
| Housing Rentals | 35 551 | 25 113 |
| Refuse | 10 392 935 | 7 737 211 |
| Sewerage | 6 953 660 | 5 269 833 |
| Other | 4 158 181 | 4 065 398 |
| Total | 33 800 915 | 26 748 382 |

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48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Currency risk (Market Risk)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The financial instruments of the Municipality is not directly exposed to any currency risk.

48.3 Interest rate risk (Market Risk)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following balances are exposed to interest rate fluctuations:

| | | |
|--|-------------------|-------------------|
| Cash and Cash Equivalents (excluding cash on hand) | 82 073 040 | 65 652 070 |
| Long-term Liabilities (including current portion) | - | - |
| Net balance exposed | 82 073 040 | 65 652 070 |

Potential effect of changes in interest rates on surplus and deficit for the year:

| | | |
|---|---------|---------|
| 1% (2016 - 1%) increase in interest rates | 820 730 | 656 521 |
| 0% (2016 - 0%) decrease in interest rates | - | - |

South Africa is currently in an upward interest rate cycle and management does not foresee a decrease in the next 12 months.

48.4 Liquidity risk

Liquidity risk is the risk encountered by the Municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is mitigated by approving cash funded budgets at all times to ensure commitments can be settled once due over the long term. The Municipality also monitors its cash balances on a daily basis to ensure cash resources are available to settle short term obligations.

The following balances are exposed to liquidity risk:

| | Within 1 Year | Between 2 to 5 years | After 5 years | Total |
|-------------------------------------|-------------------|----------------------|-------------------|--------------------|
| 30 JUNE 2017 | | | | |
| Annuity Loans | 10 819 285 | 36 073 574 | 56 335 704 | 103 228 564 |
| Finance Lease Liabilities | 2 906 | - | - | 2 906 |
| Payables from exchange transactions | 29 923 923 | - | - | 29 923 923 |
| Total | 40 746 113 | 36 073 574 | 56 335 704 | 133 155 392 |
| 30 JUNE 2016 | | | | |
| Annuity Loans | 8 953 664 | 33 557 108 | 59 754 515 | 102 265 287 |
| Finance Lease Liabilities | 102 792 | 2 906 | - | 105 697 |
| Payables from exchange transactions | 24 334 767 | - | - | 24 334 767 |
| Total | 33 391 223 | 33 560 013 | 59 754 515 | 126 705 751 |

BERGRIVIER LOCAL MUNICIPALITY

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48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.5 Other price risk (Market Risk)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Municipality is not exposed to any other price risk.

49 FINANCIAL INSTRUMENTS

The Municipality recognised the following financial instruments at amortised cost:

Financial Assets

| | | |
|--|--------------------|--------------------|
| Cash and Cash Equivalents | 82 080 490 | 65 659 520 |
| Receivables from Exchange transactions | 46 437 958 | 39 650 460 |
| Long-term Receivables | 2 535 757 | 3 756 415 |
| Total | 131 054 204 | 109 066 394 |

Financial Liabilities

| | | |
|-------------------------------------|-------------------|-------------------|
| Payables from exchange transactions | 29 923 923 | 24 334 767 |
| Long-Term Liabilities | 54 804 367 | 52 052 647 |
| Total | 84 728 289 | 76 387 414 |

50 STATUTORY RECEIVABLES

In accordance with the principles of GRAP 108, Statutory Receivables of the Municipality are classified as follows:

| | | |
|--|-------------------|-------------------|
| Taxes | 977 292 | 998 051 |
| Receivables from Non-Exchange Transactions | 26 200 297 | 24 721 764 |
| Rates | 24 653 088 | 23 997 784 |
| Fines | 583 503 | 723 981 |
| Unpaid Grants | 113 815 | - |
| Department of Human Settlements | 849 891 | - |
| Total | 51 436 888 | 49 443 529 |

The amounts above are disclosed after any provision for impairment has been taken into account.

51 EVENTS AFTER REPORTING DATE

The Municipality had no significant events after reporting date.

52 IN-KIND DONATIONS AND ASSISTANCE

The Municipality did not receive any in-kind donations or assistance during the year under review.

53 PRIVATE PUBLIC PARTNERSHIPS (PPP's)

The Municipality did not enter into any PPP's in the current and prior year.

54 CONTINGENT LIABILITIES

The Municipality is not currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

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55 RELATED PARTIES

55.1 Related Party Transactions

All rates, service charges and other charges in respect of related parties are in accordance with approved tariffs that were advertised to the public. No impairment charge have been recognised in respect of amounts owed by related parties.

| | Rates | Service Charges | Other | Outstanding Balance |
|---|---------------|-----------------|---------------|---------------------|
| 2017 | | | | |
| <u>Councillors</u> | | | | |
| A Small | - | - | - | - |
| AJ De Vries | 10 114 | 3 996 | - | 1 176 |
| AJ Du Plooy | 929 | 5 616 | 70 | 1 092 |
| CJ Snyders | - | 846 | - | 422 |
| EB Manuel | 1 135 | 6 243 | 6 | 349 |
| J Daniels | 5 263 | 9 273 | 11 | 1 083 |
| J Swart | 7 112 | 12 088 | 167 | (441) |
| JA Raats | 2 202 | 5 232 | - | 3 199 |
| JJ Josephus | 826 | 9 313 | 6 | 687 |
| MA Wessels | - | 22 853 | 340 | 1 370 |
| RM van Rooy | - | - | - | - |
| SIJ Smit | 4 128 | 45 324 | 346 | 7 357 |
| SM Crafford | - | 5 139 | 414 | 383 |
| SR Claassen | 1 032 | 4 560 | - | 466 |
| SS Lesch | - | - | - | - |
| WJ Dirks | 705 | 1 117 | - | 905 |
| Total | 33 445 | 131 599 | 1 360 | 18 048 |
| <u>Municipal Manager and Section 57 Employees</u> | | | | |
| Adv H Linde | 1 995 | 8 212 | 1 487 | 1 946 |
| JA van Niekerk | - | 11 695 | (1 363) | - |
| JWA Kotzee | 1 084 | 7 405 | 0 | 735 |
| H Krohn | 8 153 | 32 000 | 13 730 | 15 045 |
| GJ Goliath | - | - | - | - |
| Total | 11 232 | 59 313 | 13 854 | 17 726 |
| 2016 | | | | |
| <u>Councillors</u> | | | | |
| SR Claassen | 974 | 4 296 | - | 439 |
| SM Crafford | - | 4 509 | 267 | 485 |
| WJ Dirks | 3 993 | 6 080 | 13 | 778 |
| EB Manuel | 2 143 | 17 540 | 92 | 2 199 |
| JA Raats | 12 467 | 28 460 | 18 | 3 461 |
| SIJ Smit | 3 896 | 47 548 | 372 | 5 918 |
| AJ De Vries | 7 159 | 2 198 | 893 | 1 109 |
| CJ Snyders | - | 4 759 | 6 | 361 |
| Total | 30 632 | 115 390 | 1 661 | 14 752 |
| <u>Municipal Manager and Section 57 Employees</u> | | | | |
| Adv H Linde | - | 7 874 | - | 408 |
| JA van Niekerk | 10 519 | 13 039 | 2 583 | 1 238 |
| JWA Kotzee | 1 071 | 9 054 | - | 797 |
| H Krohn | - | 31 217 | - | - |
| Total | 11 591 | 61 184 | 2 583 | 2 442 |

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55 RELATED PARTIES (CONTINUED)

55.2 Related Party Loans

There are no loans outstanding to any related party. Since 1 July 2004 loans to councillors and senior management employees are not permitted.

55.3 Compensation of management personnel

Remuneration of management personnel are disclosed in notes 29 and 30.

55.4 Other related party transactions

The Municipality did not enter into any transactions where Councillors or Management had an interest.

55.4 Other transactions in terms of Section 45 of the Municipal Supply Chain Regulations.

The following awards were made where immediate family members are in the service of the State:

| Company Name | Related Party | Family member in service of the state | Amount | Amount |
|--------------------------------|---------------|---------------------------------------|------------------|------------------|
| Siphenkhosi Protection Service | C Claasen | Spouse (Bergrivier Municipality) | 356 709 | - |
| Cederberg Conservation Service | B Du Plessis | Spouse (Cape Nature) | 553 884 | - |
| AON | N Manyanga | Farther (Department of Education) | 747 336 | 2 097 735 |
| | | Mother (Department of Transport) | | |
| Total | | | 1 657 929 | 2 097 735 |

56 FINANCIAL SUSTAINABILITY

Management is of the opinion that will Municipality will continue to operate as a going concern and perform it's functions as set out in the Constitution.

Financial Indicators

The current ratio increased to 3.20:1 from 3.12:1 in the prior year.

The Municipality have budgeted for a surplus of R7 032 000 for the 2017/2018 financial year and surpluses of R13 210 000 and R17 800 000 for the 2018/2019 and 2019/2029 years respectively.

The average debtors collection rate decreased from 96,74% to 94,81%.

Cash and Cash Equivalents have increased during the year.

BERGRIVIER LOCAL MUNICIPALITY

APPENDIX A (UNAUDITED)

SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDING 30 JUNE 2017

| INSTITUTION | LOAN NUMBER | RATE | MATURITY DATE | OPENING BALANCE 1 JULY 2016 | RECEIVED DURING YEAR | REDEEMED DURING YEAR | CLOSING BALANCE 30 JUNE 2017 |
|--|----------------|---------|------------------|--------------------------------|-------------------------|-------------------------|---------------------------------|
| ANNUITY LOANS | | | | | | | |
| DBSA | 61001254 | 15.00% | 2018-06-30 | 492 956 | - | (228 658) | 264 298 |
| DBSA | 61000584 | 9.98% | 2016-12-31 | 194 988 | - | (194 988) | - |
| DBSA | 61003131 | 16.50% | 2020-12-31 | 532 160 | - | (87 802) | 444 358 |
| DBSA | 61001189 | 14.00% | 2017-09-30 | 283 680 | - | (182 648) | 101 032 |
| Nedbank | 05/7831032282 | 11.27% | 2023-06-12 | 3 127 274 | - | (304 368) | 2 822 906 |
| DBSA | 61000757 | 9.86% | 2018-12-31 | 2 239 360 | - | (831 703) | 1 407 657 |
| DBSA | 61001029 | 12.41% | 2030-06-30 | 15 624 567 | - | (454 911) | 15 169 656 |
| DBSA | 61006811 | 11.53% | 2031-06-30 | 3 680 151 | - | (99 854) | 3 580 297 |
| DBSA | 61006837 | 11.59% | 2036-06-30 | 8 569 354 | - | (120 103) | 8 449 251 |
| DBSA | 61006975 | 11.33% | 2032-06-30 | 3 738 743 | - | (90 312) | 3 648 431 |
| Standard Bank | 252933753 | 11.95% | 2024-06-30 | 6 010 645 | - | (483 356) | 5 527 289 |
| Standard Bank | 252933737 | 11.25% | 2019-06-30 | 1 329 772 | - | (395 647) | 934 125 |
| ABSA | 3044794458 | 9.99% | 2021-06-30 | 430 000 | - | (69 801) | 360 199 |
| ABSA | 3044701437 | 10.57% | 2026-06-12 | 5 700 000 | 5 970 000 | (357 951) | 5 342 049 |
| ABSA | 3046456438 | 10.12% | 2027-06-30 | - | 780 000 | - | 5 970 000 |
| ABSA | 3046456399 | 9.77% | 2022-06-30 | - | - | - | 780 000 |
| Total Annuity Loans | | | | 51 953 650 | 6 750 000 | (3 902 102) | 54 801 548 |
| FINANCE LEASE LIABILITIES | | | | | | | |
| Cellphones and Modems | | Various | 2018-02-28 | 98 998 | - | (96 178) | 2 819 |
| Total Finance Lease Liabilities | | | | 98 998 | - | (96 178) | 2 819 |
| Total Long-Term Liabilities | | | | 52 052 648 | 6 750 000 | (3 998 280) | 54 804 367 |

BERGRIVIER LOCAL MUNICIPALITY

APPENDIX B (UNAUDITED)

DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDING 30 JUNE 2017

| | OPENING BALANCE R | GRANTS RECEIVED / (REPAID) R | TRANSFERRED TO REVENUE (OPERATING) R | TRANSFERRED TO REVENUE (CAPITAL) R | OTHER MOVEMENT R | CLOSING BALANCE R |
|---|-------------------------|------------------------------------|---|---|------------------------|-------------------------|
| NATIONAL GOVERNMENT | | | | | | |
| Equitable Share | - | 33 319 000 | (33 319 000) | - | - | - |
| Finance Management Grant (FMG) | - | 1 475 000 | (763 256) | (711 744) | - | - |
| Municipal Systems Improvement Grant (MSIG) | - | - | - | - | - | - |
| Municipal Infrastructure Grant (MIG) | 306 558 | 8 884 000 | (621 558) | (8 569 000) | - | - |
| Expanded Public Works Programme (EPWP) | - | 1 141 000 | (1 141 000) | - | - | - |
| Integrated National Electrification Programme (INEP) | 684 969 | 2 000 000 | (284 112) | (2 029 372) | - | 371 484 |
| Accelerated Community Infrastructure Programme (ACIP) | - | - | - | - | - | - |
| Total | 991 527 | 46 819 000 | (36 128 926) | (11 310 116) | - | 371 484 |
| PROVINCIAL GOVERNMENT | | | | | | |
| Housing | - | - | - | - | - | - |
| CDW Contribution | - | 37 000 | (23 053) | - | - | 13 947 |
| Housing Consuming Education | - | - | - | - | - | - |
| Finance Management Grant (Provincial) | 73 210 | - | (73 210) | - | - | - |
| Prodaimed Roads | - | 73 907 | (73 907) | - | - | - |
| Municipal Performance Management Allocation | - | - | - | - | - | - |
| Library Services | - | 6 680 000 | (5 842 444) | (837 556) | - | - |
| External Bursary Programme | - | 120 000 | (120 000) | - | - | - |
| Local Government Graduate Internship Allocation | - | 60 000 | - | - | - | 60 000 |
| Total | 73 210 | 6 970 907 | (6 132 615) | (837 556) | - | 73 947 |
| OTHER GRANT PROVIDERS | | | | | | |
| Cerebos Ltd | 46 587 | - | - | (160 402) | 113 815 | - |
| Chieta | 12 828 | 60 000 | (72 828) | - | - | - |
| LG Seta | - | 272 599 | (272 599) | - | - | - |
| Total | 59 415 | 332 599 | (345 427) | (160 402) | 113 815 | - |
| ALL SPHERES OF GOVERNMENT | 1 124 152 | 54 121 506 | (42 606 968) | (12 308 074) | 113 815 | 445 431 |

BERGRIVIER LOCAL MUNICIPALITY

APPENDIX C (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

| | ORIGINAL BUDGET 2017 R | BUDGET ADJUSTMENTS 2017 R | FINAL BUDGET 2017 R | ACTUAL OUTCOME 2017 R | BUDGET VARIANCE 2017 R | RESTATED OUTCOME 2016 R |
|--|------------------------------|---------------------------------|---------------------------|-----------------------------|------------------------------|-------------------------------|
| Financial Performance | | | | | | |
| Property rates | 55 677 287 | 500 000 | 56 177 287 | 56 638 655 | 461 368 | 52 508 447 |
| Service charges | 152 540 243 | 4 815 000 | 157 355 243 | 148 570 949 | (8 784 294) | 139 275 656 |
| Investment revenue | 3 200 000 | 1 300 000 | 4 500 000 | 5 819 571 | 1 319 571 | 4 296 966 |
| Transfers recognised - operational | 67 211 000 | (502 912) | 66 708 088 | 43 193 875 | (23 514 213) | 42 232 852 |
| Other own revenue | 19 984 000 | 5 481 086 | 25 465 086 | 33 694 980 | 8 229 894 | 22 951 271 |
| Total Operating Revenue (excluding capital transfers) | 298 612 530 | 11 593 174 | 310 205 704 | 287 918 030 | (22 287 674) | 261 265 192 |
| Employee costs | 107 290 816 | (454 887) | 106 835 929 | 103 092 354 | (3 743 575) | 96 066 313 |
| Remuneration of councillors | 4 861 000 | 450 000 | 5 311 000 | 5 358 968 | 47 968 | 5 281 515 |
| Debt impairment | 8 795 197 | 6 203 544 | 14 998 741 | 12 789 307 | (2 209 434) | 8 173 993 |
| Depreciation and asset impairment | 18 539 000 | (457 000) | 18 082 000 | 19 372 439 | 1 290 439 | 17 513 800 |
| Finance charges | 12 213 580 | 66 886 | 12 280 466 | 12 662 376 | 381 910 | 11 582 399 |
| Materials and bulk purchases | 75 397 000 | 5 620 000 | 81 017 000 | 80 493 562 | (523 438) | 73 029 500 |
| Transfers and grants | 3 560 900 | - | 3 560 900 | 3 550 890 | (10 010) | 3 214 250 |
| Other expenditure | 74 919 170 | 677 490 | 75 596 660 | 39 667 843 | (35 928 817) | 39 240 970 |
| Total Expenditure | 305 576 663 | 12 106 033 | 317 682 696 | 276 987 739 | (40 694 957) | 254 102 740 |
| Surplus/(Deficit) | (6 964 133) | (512 859) | (7 476 992) | 10 930 291 | 18 407 283 | 7 162 452 |
| Transfers recognised - capital | 15 044 000 | (3 467 088) | 11 576 912 | 11 255 741 | (321 171) | 19 831 596 |
| Surplus/(Deficit) for the year | 8 079 867 | (3 979 947) | 4 099 920 | 22 186 032 | 18 086 112 | 26 994 048 |
| Capital expenditure & funds sources | | | | | | |
| Capital expenditure | 32 478 000 | (3 333 669) | 29 144 331 | 27 822 698 | (1 321 633) | 31 681 207 |
| Transfers recognised - capital | 15 044 000 | (3 467 088) | 11 576 912 | 11 133 554 | (443 358) | 19 759 360 |
| Public contributions & donations | - | - | - | 160 403 | 160 403 | 71 549 |
| Borrowing | 6 750 000 | - | 6 750 000 | 6 593 294 | (156 706) | 5 233 301 |
| Internally generated funds | 10 684 000 | 133 419 | 10 817 419 | 9 935 447 | (881 972) | 6 616 998 |
| Total sources of capital funds | 32 478 000 | (3 333 669) | 29 144 331 | 27 822 698 | (1 321 633) | 31 681 207 |
| Cash flows | | | | | | |
| Net cash from (used) operating | 27 865 875 | (1 196 242) | 26 669 633 | 40 888 148 | 14 218 515 | 46 430 377 |
| Net cash from (used) investing | (32 845 150) | 3 787 238 | (29 057 912) | (27 350 769) | 1 707 143 | (31 575 944) |
| Net cash from (used) financing | 3 050 398 | 98 969 | 3 149 367 | 2 883 590 | (265 776) | 2 461 061 |
| Net Cash Movement for the year | (1 928 877) | 2 689 965 | 761 088 | 16 420 970 | 15 659 882 | 17 315 494 |
| Cash/cash equivalents at beginning of year | 70 110 214 | (4 450 695) | 65 659 520 | 65 659 520 | - | 48 344 026 |
| Cash/cash equivalents at the year end | 68 181 337 | (1 760 729) | 66 420 607 | 82 080 490 | 15 659 882 | 65 659 520 |

BERGRIVIER LOCAL MUNICIPALITY

APPENDIX C (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

| | ORIGINAL BUDGET 2017 R | BUDGET ADJUSTMENTS 2017 R | FINAL BUDGET 2017 R | ACTUAL OUTCOME 2017 R | BUDGET VARIANCE 2017 R | RESTATE OUTCOME 2016 R |
|--|------------------------------|---------------------------------|---------------------------|-----------------------------|------------------------------|------------------------------|
| REVENUE (STANDARD CLASSIFICATION) | | | | | | |
| Governance and administration | | | | | | |
| Executive and council | 23 314 000 | - | 23 314 000 | 23 369 912 | 55 912 | 18 787 537 |
| Budget and treasury office | 65 248 287 | 1 670 000 | 66 918 287 | 68 656 636 | 1 738 349 | 63 184 622 |
| Corporate services | 780 000 | 457 500 | 1 237 500 | 7 760 571 | 6 523 071 | 1 714 177 |
| Community and public safety | | | | | | |
| Community and social services | 7 076 000 | 39 000 | 7 115 000 | 7 138 099 | 23 099 | 6 341 223 |
| Sport and recreation | 4 708 000 | 2 745 700 | 7 453 700 | 7 499 798 | 46 098 | 5 942 000 |
| Public safety | 4 340 000 | 4 773 586 | 9 113 586 | 9 809 074 | 695 488 | 7 435 668 |
| Housing | 23 317 000 | - | 23 317 000 | 40 297 | (23 276 703) | 47 954 |
| Economic and environmental services | | | | | | |
| Planning and development | 787 000 | 201 000 | 988 000 | 1 162 153 | 174 153 | 1 286 227 |
| Road transport | 5 103 000 | - | 5 103 000 | 5 436 564 | 333 564 | 4 720 814 |
| Trading services | | | | | | |
| Electricity | 103 896 243 | 2 975 000 | 106 871 243 | 98 176 498 | (8 694 745) | 93 787 003 |
| Water | 39 997 000 | (6 682 552) | 33 314 448 | 32 491 428 | (823 020) | 39 907 184 |
| Waste water management | 13 266 000 | 666 852 | 13 932 852 | 14 072 656 | 139 804 | 16 033 243 |
| Waste management | 21 824 000 | 1 280 000 | 23 104 000 | 23 560 085 | 456 085 | 21 909 136 |
| Total Revenue - Standard | 313 656 530 | 8 126 086 | 321 782 616 | 299 173 771 | (22 608 845) | 281 096 788 |
| EXPENDITURE (STANDARD CLASSIFICATION) | | | | | | |
| Governance and administration | | | | | | |
| Executive and council | 20 573 470 | 816 150 | 21 389 620 | 18 158 116 | (3 231 504) | 16 082 438 |
| Budget and treasury office | 2 742 429 | (230 000) | 2 512 429 | (728 733) | (3 241 162) | 15 677 481 |
| Corporate services | 22 465 079 | 140 795 | 22 605 874 | 21 415 183 | (1 190 691) | 24 310 972 |
| Community and public safety | | | | | | |
| Community and social services | 7 251 000 | (71 350) | 7 179 650 | 7 230 723 | 51 073 | 7 143 496 |
| Sport and recreation | 15 153 780 | (89 160) | 15 064 620 | 14 748 976 | (315 644) | 13 017 323 |
| Public safety | 13 457 351 | 6 246 814 | 19 704 165 | 20 351 887 | 647 722 | 15 627 348 |
| Housing | 24 679 340 | (11 600) | 24 667 740 | 1 116 979 | (23 550 761) | 1 278 483 |
| Economic and environmental services | | | | | | |
| Planning and development | 4 510 870 | (85 630) | 4 425 240 | 4 445 848 | 20 608 | 4 208 369 |
| Road transport | 30 607 710 | (268 960) | 30 338 750 | 28 791 468 | (1 547 282) | 24 358 508 |
| Trading services | | | | | | |
| Electricity | 103 144 577 | 4 740 050 | 107 884 627 | 105 238 163 | (2 646 464) | 86 372 669 |
| Water | 21 845 230 | 871 770 | 22 717 000 | 22 716 694 | (306) | 18 042 215 |
| Waste water management | 13 578 030 | 484 050 | 14 062 080 | 10 072 231 | (3 989 849) | 7 689 968 |
| Waste management | 25 567 797 | (436 896) | 25 130 901 | 23 430 205 | (1 700 696) | 20 293 471 |
| Total Expenditure - Standard | 305 576 663 | 12 106 033 | 317 682 696 | 276 987 740 | (40 694 956) | 254 102 741 |
| Surplus/(Deficit) for the year | 8 079 867 | (3 979 947) | 4 099 920 | 22 186 031 | 18 086 111 | 26 994 047 |

BERGRIVIER LOCAL MUNICIPALITY

APPENDIX C (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

| REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION) | ORIGINAL BUDGET 2017 R | BUDGET ADJUSTMENTS 2017 R | FINAL BUDGET 2017 R | ACTUAL OUTCOME 2017 R | BUDGET VARIANCE 2017 R | RESTATE OUTCOME 2016 R |
|--|------------------------------|---------------------------------|---------------------------|-----------------------------|------------------------------|------------------------------|
| | | | | | | |
| REVENUE | | | | | | |
| Vote 1 - Municipal Manager | 23 314 000 | - | 23 314 000 | 23 369 912 | 55 912 | 18 787 537 |
| Vote 2 - Finance | 65 248 287 | 1 670 000 | 66 918 287 | 68 656 636 | 1 738 349 | 63 184 622 |
| Vote 3 - Corporate Services | 19 541 000 | 4 792 086 | 24 333 086 | 31 596 862 | 7 263 776 | 22 761 122 |
| Vote 4 - Technical Services | 205 553 243 | 1 664 000 | 207 217 243 | 175 550 361 | (31 666 882) | 176 363 507 |
| Total Revenue by Vote | 313 656 530 | 8 126 086 | 321 782 616 | 299 173 771 | (22 608 845) | 281 096 788 |
| EXPENDITURE | | | | | | |
| Vote 1 - Municipal Manager | 20 573 470 | 816 150 | 21 389 620 | 18 158 116 | (3 231 504) | 16 082 438 |
| Vote 2 - Finance | 2 742 429 | (230 000) | 2 512 429 | (728 733) | (3 241 162) | 15 677 481 |
| Vote 3 - Corporate Services | 44 190 530 | 6 238 489 | 50 429 019 | 50 306 607 | (122 412) | 48 197 494 |
| Vote 4 - Technical Services | 238 070 234 | 5 281 394 | 243 351 628 | 209 251 750 | (34 099 878) | 174 145 327 |
| Total Expenditure by Vote | 305 576 663 | 12 106 033 | 317 682 696 | 276 987 740 | (40 694 956) | 254 102 740 |
| Surplus/(deficit) for the year | 8 079 867 | (3 979 947) | 4 099 920 | 22 186 031 | 18 086 111 | 26 994 048 |

BERGRIVIER LOCAL MUNICIPALITY

APPENDIX C (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

| | ORIGINAL BUDGET 2017 R | BUDGET ADJUSTMENTS 2017 R | FINAL BUDGET 2017 R | ACTUAL OUTCOME 2017 R | BUDGET VARIANCE 2017 R | RESTATE OUTCOME 2016 R |
|---|------------------------------|---------------------------------|---------------------------|-----------------------------|------------------------------|------------------------------|
| REVENUE AND EXPENDITURE | | | | | | |
| REVENUE BY SOURCE | | | | | | |
| Property rates | 55 677 287 | 500 000 | 56 177 287 | 56 638 655 | 461 368 | 52 508 447 |
| Service charges - electricity revenue | 100 386 243 | 2 290 000 | 102 676 243 | 94 360 008 | (8 316 235) | 88 362 686 |
| Service charges - water revenue | 24 765 000 | 900 000 | 25 665 000 | 24 508 697 | (1 156 303) | 23 629 312 |
| Service charges - sanitation revenue | 10 278 000 | 495 000 | 10 773 000 | 11 063 117 | 290 117 | 10 211 626 |
| Service charges - refuse revenue | 17 111 000 | 1 130 000 | 18 241 000 | 18 639 127 | 398 127 | 17 072 032 |
| Rental of facilities and equipment | 4 242 000 | 466 000 | 4 708 000 | 4 982 060 | 274 060 | 4 323 309 |
| Interest earned - external investments | 3 200 000 | 1 300 000 | 4 500 000 | 5 819 571 | 1 319 571 | 4 296 966 |
| Interest earned - outstanding debtors | 4 240 000 | (190 000) | 4 050 000 | 4 268 050 | 218 050 | 3 776 001 |
| Fines | 4 307 000 | 4 780 586 | 9 087 586 | 9 779 747 | 692 161 | 7 446 785 |
| Licences and permits | 1 560 000 | - | 1 560 000 | 1 530 223 | (29 777) | 1 219 081 |
| Agency services | 2 041 000 | - | 2 041 000 | 2 340 077 | 299 077 | 2 199 847 |
| Transfers recognised - operational | 67 211 000 | (502 912) | 66 708 088 | 43 193 875 | (23 514 213) | 42 232 852 |
| Other revenue | 3 594 000 | 424 500 | 4 018 500 | 10 794 823 | 6 776 323 | 3 917 700 |
| Gain on disposal of PPE | - | - | - | - | - | 68 548 |
| Total Revenue (excl capital transfers) | 298 612 530 | 11 593 174 | 310 205 704 | 287 918 030 | (22 287 674) | 261 265 192 |
| EXPENDITURE BY TYPE | | | | | | |
| Employee related costs | 107 290 816 | (454 887) | 106 835 929 | 103 092 354 | (3 743 575) | 96 066 313 |
| Remuneration of councillors | 4 861 000 | 450 000 | 5 311 000 | 5 358 968 | 47 968 | 5 281 515 |
| Debt impairment | 8 795 197 | 6 203 544 | 14 998 741 | 12 789 307 | (2 209 434) | 8 173 993 |
| Depreciation and asset impairment | 18 539 000 | (457 000) | 18 082 000 | 19 372 439 | 1 290 439 | 17 513 800 |
| Finance charges | 12 213 580 | 66 886 | 12 280 466 | 12 662 376 | 381 910 | 11 582 399 |
| Bulk purchases | 75 397 000 | 5 620 000 | 81 017 000 | 80 493 562 | (523 438) | 73 029 500 |
| Transfers and grants | 3 560 900 | - | 3 560 900 | 3 550 890 | (10 010) | 3 214 250 |
| Other expenditure | 74 919 170 | 677 490 | 75 596 660 | 39 604 772 | (35 991 888) | 39 240 970 |
| Loss on disposal of PPE | - | - | - | 63 071 | 63 071 | - |
| Total Expenditure | 305 576 663 | 12 106 033 | 317 682 696 | 276 987 739 | (40 694 957) | 254 102 740 |
| Surplus/(Deficit) | (6 964 133) | (512 859) | (7 476 992) | 10 930 291 | 18 407 283 | 7 162 452 |
| Transfers recognised - capital | 15 044 000 | (3 467 088) | 11 576 912 | 11 255 741 | (321 171) | 19 831 596 |
| Surplus/(Deficit) for the year | 8 079 867 | (3 979 947) | 4 099 920 | 22 186 032 | 18 086 112 | 26 994 048 |

BERGRIVIER LOCAL MUNICIPALITY

APPENDIX C (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

| | ORIGINAL BUDGET 2017 R | BUDGET ADJUSTMENTS 2017 R | FINAL BUDGET 2017 R | ACTUAL OUTCOME 2017 R | BUDGET VARIANCE 2017 R | RESTATED OUTCOME 2016 R |
|--|------------------------------|---------------------------------|---------------------------|-----------------------------|------------------------------|-------------------------------|
| CAPITAL EXPENDITURE | | | | | | |
| CAPITAL EXPENDITURE (MUNICIPAL VOTE) | | | | | | |
| Multi-year expenditure | | | | | | |
| Vote 1 - Municipal Manager | | | | | | |
| Vote 2 - Finance | 850 000 | | 850 000 | 843 728 | (6 272) | 549 990 |
| Vote 3 - Corporate Services | 380 000 | (56 400) | 323 600 | 323 557 | (43) | |
| Vote 4 - Technical Services | 1 385 000 | | 1 385 000 | 1 683 144 | 298 144 | 9 811 197 |
| Total Multi-year expenditure | 2 615 000 | (56 400) | 2 558 600 | 2 850 430 | 291 830 | 10 361 187 |
| Single-year expenditure | | | | | | |
| Vote 1 - Municipal Manager | 416 000 | (250 000) | 166 000 | 154 175 | (11 825) | 48 014 |
| Vote 2 - Finance | 1 030 000 | | 1 030 000 | 1 035 311 | 5 311 | 178 671 |
| Vote 3 - Corporate Services | 4 449 000 | 2 866 919 | 7 315 919 | 7 045 752 | (270 167) | 4 699 292 |
| Vote 4 - Technical Services | 23 968 000 | (5 894 188) | 18 073 812 | 16 737 030 | (1 336 782) | 16 394 045 |
| Total Single-year expenditure | 29 883 000 | (3 277 269) | 26 585 731 | 24 972 268 | (1 613 463) | 21 320 020 |
| Total Capital Expenditure by Vote | 32 478 000 | (3 333 669) | 29 144 331 | 27 822 698 | (1 321 633) | 31 681 207 |
| CAPITAL EXPENDITURE (STANDARD CLASSIFICATION) | | | | | | |
| Governance and administration | | | | | | |
| Executive and council | 416 000 | (250 000) | 166 000 | 154 175 | (11 825) | 48 014 |
| Budget and treasury office | 1 880 000 | | 1 880 000 | 1 879 039 | (961) | 728 661 |
| Corporate services | 2 314 000 | 378 250 | 2 692 250 | 2 665 338 | (26 912) | 1 656 822 |
| Community and public safety | | | | | | |
| Community and social services | 1 249 000 | 64 169 | 1 313 169 | 1 353 606 | 40 437 | 746 271 |
| Sport and recreation | 1 678 000 | 2 732 680 | 4 410 680 | 4 232 267 | (178 413) | 3 104 144 |
| Public safety | 1 460 000 | (39 530) | 1 420 470 | 1 289 918 | (130 552) | 419 795 |
| Economic and environmental services | | | | | | |
| Planning and Development | 10 000 | 10 000 | 20 000 | 11 780 | (8 220) | |
| Road transport | 3 305 000 | 11 200 | 3 316 200 | 3 172 895 | (143 305) | 3 788 |
| Trading services | | | | | | |
| Electricity | 3 646 000 | 600 877 | 4 246 877 | 3 744 911 | (501 966) | 3 705 484 |
| Water | 6 352 483 | 262 937 | 6 615 420 | 5 016 013 | (1 599 407) | 4 930 310 |
| Waste water management | 7 869 517 | (6 796 665) | 1 072 852 | 2 307 276 | 1 234 424 | 12 048 462 |
| Waste management | 2 298 000 | (307 587) | 1 990 413 | 1 995 482 | 5 069 | 3 821 789 |
| Total Capital Expenditure - Standard | 32 478 000 | (3 333 669) | 29 144 331 | 27 822 698 | (1 321 633) | 31 681 207 |

BERGRIVIER LOCAL MUNICIPALITY

APPENDIX C (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

| | ORIGINAL BUDGET 2017 R | BUDGET ADJUSTMENTS 2017 R | FINAL BUDGET 2017 R | ACTUAL OUTCOME 2017 R | BUDGET VARIANCE 2017 R | RESTATE OUTCOME 2016 R |
|--|------------------------------|---------------------------------|---------------------------|-----------------------------|------------------------------|------------------------------|
| CAPITAL EXPENDITURE (CONTINUED) | | | | | | |
| FUNDING SOURCES | | | | | | |
| National Government | 14 274 000 | | 10 738 912 | 10 295 998 | (442 914) | 19 154 370 |
| Provincial Government | 770 000 | (3 535 088) | 838 000 | 837 556 | (444) | 604 990 |
| District Municipality | - | 68 000 | - | - | - | - |
| Other transfers and grants | - | - | - | - | - | - |
| Transfers recognised - capital | 15 044 000 | (3 467 088) | 11 576 912 | 11 133 554 | (443 358) | 19 759 360 |
| Public contributions & donations | - | - | - | 160 403 | 160 403 | 71 549 |
| Borrowing | 6 750 000 | - | 6 750 000 | 6 593 294 | (156 706) | 5 233 301 |
| Internally generated funds | 10 684 000 | 133 419 | 10 817 419 | 9 935 447 | (881 972) | 6 616 998 |
| Total Capital Funding | 32 478 000 | (3 333 669) | 29 144 331 | 27 822 698 | (1 321 633) | 31 681 207 |

BERGRIVIER LOCAL MUNICIPALITY

APPENDIX C (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2017

| | ORIGINAL BUDGET 2017 R | BUDGET ADJUSTMENTS 2017 R | FINAL BUDGET 2017 R | ACTUAL OUTCOME 2017 R | BUDGET VARIANCE 2017 R | RESTATED OUTCOME 2016 R |
|---|------------------------------|---------------------------------|---------------------------|-----------------------------|------------------------------|-------------------------------|
| CASH FLOWS | | | | | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | |
| Receipts | | | | | | |
| Property rates, penalties & collection charges | 54 382 577 | (452 382) | 53 930 196 | 54 248 373 | 318 177 | 50 395 052 |
| Service charges | 148 025 443 | 3 035 590 | 151 061 033 | 145 254 265 | (5 806 768) | 139 640 956 |
| Other revenue | 11 467 598 | 1 326 836 | 12 794 434 | 12 363 073 | (431 361) | 9 760 272 |
| Government - operating | 67 211 000 | (502 912) | 66 708 088 | 41 814 433 | (24 893 655) | 42 408 857 |
| Government - capital | 15 044 000 | (3 467 088) | 11 576 912 | 12 308 074 | 731 162 | 19 659 572 |
| Interest | 7 440 000 | 948 000 | 8 388 000 | 5 819 571 | (2 568 429) | 4 296 966 |
| Payments | | | | | | |
| Suppliers and employees | (259 930 264) | (8 400 866) | (268 331 130) | (221 356 910) | 46 974 220 | (210 718 758) |
| Finance charges | (12 213 580) | 6 316 580 | (5 897 000) | (6 011 840) | (114 840) | (5 798 289) |
| Transfers and grants | (3 560 900) | - | (3 560 900) | (3 550 890) | 10 010 | (3 214 250) |
| NET CASH FROM OPERATING ACTIVITIES | 27 865 875 | (1 196 242) | 26 669 633 | 40 888 148 | 14 218 515 | 46 430 377 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Receipts | | | | | | |
| Proceeds on disposal of PPE | - | - | - | 471 929 | 471 929 | 105 263 |
| Decrease (increase) other non-current receivables | (367 150) | 453 569 | 86 419 | - | (86 419) | - |
| Payments | | | | | | |
| Capital assets | (32 478 000) | 3 333 669 | (29 144 331) | (27 822 698) | 1 321 633 | (31 681 207) |
| NET CASH USED IN INVESTING ACTIVITIES | (32 845 150) | 3 787 238 | (29 057 912) | (27 350 769) | 1 707 143 | (31 575 944) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| Receipts | | | | | | |
| Borrowing long term/refinancing | 6 750 000 | - | 6 750 000 | 6 750 000 | - | 6 130 000 |
| Increase (decrease) in consumer deposits | 123 215 | (72 450) | 50 765 | 131 871 | 81 106 | 276 434 |
| Payments | | | | | | |
| Repayment of borrowing | (3 822 817) | 171 418 | (3 651 399) | (3 998 280) | (346 882) | (3 945 373) |
| NET CASH FROM FINANCING ACTIVITIES | 3 050 398 | 98 969 | 3 149 367 | 2 883 590 | (265 776) | 2 461 061 |
| NET INCREASE/ (DECREASE) IN CASH HELD | (1 928 877) | 2 689 965 | 761 088 | 16 420 970 | 15 659 882 | 17 315 494 |
| Cash/cash equivalents at the year begin: | 70 110 214 | (4 450 695) | 65 659 520 | 65 659 520 | - | 48 344 026 |
| Cash/cash equivalents at the year end: | 68 181 337 | (1 760 729) | 66 420 607 | 82 080 490 | 15 659 882 | 65 659 520 |



BERGRIVIER MUNICIPALITY

VOLUME II

AUDITED ANNUAL FINANCIAL

STATEMENTS

2016/17

AUDIT REPORT

Report of the auditor-general to the Western Cape Provincial Parliament and the council on the Bergrivier Municipality

17 June 2018

Opinion

1. I have audited the financial statements of the Bergrivier Municipality set out on pages 4 to 78, which comprise the statement of financial position as at 30 June 2017, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Bergrivier Municipality as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2016 (Act No. 3 of 2016) (DoRA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

7. As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2016 have been restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2017.

Material impairments

8. As disclosed in note 3 to the financial statements, the municipality provided for the impairment of trade and other receivables from exchange transactions amounting to R7,0 million (2015-16: R5,4 million).

9. As disclosed in note 4 to the financial statements, the municipality provided for the impairment of trade and other receivables from non-exchange transactions amounting to R20,5 million (2015-16: R18,8 million).
10. As disclosed in note 31 to the financial statements, the municipality impaired receivables by R13,0 million (2015-16: R8,3 million).

Other matters

11. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited supplementary schedules

12. The supplementary information set out on pages 79 to 87 does not form part of the financial statements and is prepared as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Unaudited disclosure notes

13. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. The disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion thereon.

Responsibilities of the accounting officer

14. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
15. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting officer either intends to liquidate the municipality or cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

16. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
17. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Introduction and scope

18. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected strategic objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
19. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
20. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the municipality for the year ended 30 June 2017:

| Objectives | Pages in the annual performance report |
|--|--|
| Strategic objective 4: to communicate effectively & be responsive to needs of the community | 6 – 13 |
| Strategic objective 5: to provide & maintain bulk & service infrastructure that will address backlogs & provide for future development | 6 – 13 |
| Strategic objective 9: to promote cultural & socio economic development of community | 6 – 13 |

21. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
22. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following objectives:
- Strategic objective 4: to communicate effectively & be responsive to needs of the community
 - Strategic objective 5: to provide & maintain bulk & service infrastructure that will address backlogs & provide for future development
 - Strategic objective 9: to promote cultural & socio economic development of community

Other matters

23. I draw attention to the matters below.

Achievement of planned targets

24. Refer to the annual performance report on pages 6 to 13 for information on the achievement of planned targets for the year and explanations provided for the under- or overachievement of a number of targets.

Adjustment of material misstatements

25. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of strategic objective 5: to provide & maintain bulk & service infrastructure that will address backlogs & provide for future development as well as strategic objective 9: to promote cultural & socio economic development of community. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

26. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
27. I did not raise any material findings on compliance with the specific matters in key legislation as set out in the general notice issued in terms of the PAA.

Other information

28. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report. The other information does not include the financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.
29. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
30. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
31. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that it contains a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information

is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. If it is corrected, however, this will not be necessary.

Page 5 of 6

32. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. I did not identify any significant deficiencies in internal control.

Auditor General

Cape Town

30 November 2017



AUDITOR-GENERAL
SOUTH AFRICA

Working to build a better South Africa

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the municipality's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
 - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the municipality's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a municipality to cease to continue as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.



BERGRIVIER MUNICIPALITY

VOLUME II

AUDITED ANNUAL FINANCIAL

STATEMENTS

2016/17

REPORT OF AUDIT COMMITTEE

REPORT OF THE PERFORMANCE AND AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

1. INTRODUCTION

The Performance and Audit Committee is an independent statutory committee appointed by the Council in terms of section 166 of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

2. PERFORMANCE AND AUDIT COMMITTEE

2.1 Members

During the period from 01 July 2016 to 30 June 2017, the Committee consisted of five members none of whom are councilors or officials of the Municipality. The Committee members were:

- Mrs Kim Montgomery (Chairperson)
- Mr Graham Lawrence
- Mr Shahied Allie
- Mr Chris De Jager
- Mr Burton van Staaden

2.2 MEETINGS

The Committee met on the following dates during the year under review:

- 30 August 2016
- 02 December 2016
- 24 March 2017
- 29 June 2017

2.3 PERFORMANCE AND AUDIT COMMITTEE ROLE AND RESPONSIBILITIES

The Committee was fully functional and fulfilled its responsibilities for the year under review. The Committee operated in accordance with the adopted Audit Committee Charter, which was approved by Council. The provisions contained in section 166 of the Local Government: Municipal Finance Management Act, 2003 and Internal Audit Framework, which was developed by National Treasury, are included in the Charter.

3. PERFORMANCE MANAGEMENT

In terms of paragraph 4(a) of the Municipal Planning and Performance Management Regulations of 2000, the Performance and Audit Committee must:

- (i) review the quarterly reports submitted to it in terms of sub regulation (1)(c)(ii);
- (ii) review the municipality's performance management system and make recommendations in this regard to the council of that municipality; and
- (iii) at least twice during a financial year submit an audit report to the municipal council concerned.

During the 2016/2017 financial year the committee reviewed all the quarterly performance reports. The Chairperson of the committee (Mrs K Montgomery) as well as the performance specialist (Mr S Allie) attended the formal performance evaluations of the Municipal Manager and Directors held on 23 March 2017 while Mr Graham Lawrence and newly appointed committee member, Mrs Reyhana Gani attended the evaluation held on 29 September 2017.

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4. REPORTS REVIEWED FOR THE PERIOD JUL 2016 TO JUN 2017

The Committee has reviewed the following reports the period under review:

- 4.1 Predetermined Objectives Report for the period Jul 2016 to Sept 2016
- 4.2 Predetermined Objectives Report for the period Oct 2016 to Dec 2016
- 4.3 Predetermined Objectives Report for the period Jan 2017 to Mar 2017
- 4.4 Predetermined Objectives Report for the period Apr 2017 to June 2017
- 4.5 Municipal Stores Inspections (x 4 memorandums)
- 4.6 Annual Stock Take Report 2016/2017
- 4.7 Eunomia Compliance Reports (x 4)
- 4.8 Occupational Health and Safety report
- 4.9 Compliance to Blue and Green Drop
- 4.10 Maintenance on Proclaimed Main Roads
- 4.11 Implementation of MSCOA
- 4.12 Expenditure – Payroll, Overtime and Standby and S &T claims
- 4.13 Contract Management
- 4.14 Administration of Housing
- 4.15 Ad-Hoc Requests (x 6)
- 4.16 Risk Management report for the period Jul 2016 to Sept 2016
- 4.17 Risk Management report for the period Oct 2016 to Dec 2016
- 4.18 Risk Management report for the period Jan 2017 to Mar 2017
- 4.19 Risk Management report for the period Apr-2017 to June 2017
- 4.20 All Key Control Assessment reports for the 2016/2017 financial year (OPCAR).
- 4.21 Quarterly Report of the Internal Auditor for the period Jul 2016 to Sept 2016
- 4.22 Quarterly Report of the Internal Auditor for the period Oct 2016 to Dec 2016
- 4.23 Quarterly Report of the Internal Auditor for the period Jan 2017 to Mar 2017
- 4.24 Quarterly Report of the Internal Auditor for the period Apr 2017 to June 2017
- 4.25 All Section 52 Reports for the 2016/2017 financial year x (4)
- 4.26 Various Quarterly Financial Reports including the Section 71 reports.

5. EFFECTIVENESS OF THE INTERNAL AUDIT DEPARTMENT

As per the Internal Audit Assessment, undertaken by the Performance and Audit Committee, for period year ending 30 June 2017, the committee has satisfied itself of the effectiveness of the Internal Audit Department

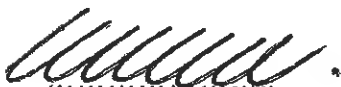
6. 2016/2017 DRAFT ANNUAL FINANCIAL STATEMENTS

The Committee had an opportunity to review the 2016/2017 draft annual financial statements on 28 August 2017.

7. REPORT OF THE AUDITOR GENERAL FOR THE 2016/2017 FINANCIAL YEAR

The Audit Committee has taken note of the Auditor General's report for the 2016/2017 financial year and will together with the municipal administration endeavor to ensure that all internal controls deficiencies are addressed as soon as possible

The Performance and Audit Committee has at all times acted independently during its engagements with the officials and Councilors of the municipality.



K Montgomery
Chairperson: Performance and Audit Committee

